UK manufacturing
Has it slimmed down too far?
Page 12

Prof William Stewart
What scientists had been clamouring for
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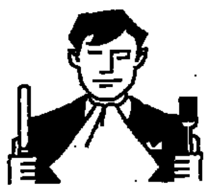

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FINANCIAL TIMES

Monday July 27 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Wellcome sets shares offer price at 800p

Wellcome Trust set an 800p price on the sale of shares in Wellcome, the drugs company, bringing to a successful conclusion the biggest non-privatisation share sale ever mounted which will raise £2.1bn ($4bn). The price compares with Friday's close of 826p and was considered a narrow discount given the size of the issue and the recent difficult market conditions. Page 15

Japanese elections: Japan's ruling Liberal Democratic party tightened its hold on power by capturing at least 68 of the seats contested in the election for half the total seats in the Upper House. But the voter turnout was estimated at 48 per cent, well below the previous low of 57 per cent. Page 14; *Japan's voters spurn 'ox-walking opposition'*, Page 3

North American trade talks: Hopes of a breakthrough in talks between trade ministers from the US, Canada and Mexico on the North American free trade agreement appeared not to have been achieved. Page 14

Food relief abandoned: The United Nations abandoned efforts to send food overland to 70,000 Moslems trapped in the eastern Bosnian town of Gorazde by Serb forces as trainloads of Bosnian refugees arrived in Germany. Page 2

Swimming surprise at Olympics:

Barcelona '92

Nelson Diebel of the US won the gold medal in the men's 100 metre breaststroke final in what had become the most competitive swimming event of the Games after nine of the fastest-ever times were set in the past 12 months. However, his time was 1 minute 1.50 seconds, failing to beat the 1 minute 1.33 seconds world record of Hungarian Norbert Rozsa, who came second, with Phil Rogers of Australia coming third. Page 9

Lamont stands firm: Norman Lamont, the UK chancellor, hardened his defence of the government's tough economic strategy in the face of renewed calls for other approaches to remedying Britain's economic woes. Page 14

Zale Corporation, the world's largest jewellery retailer which in January sought protection from its creditors under chapter 11 of the US bankruptcy code, filed a reorganisation plan with the Dallas courts after revealing net losses of $960m for the year to end-March, against $54m. Page 17

Aer Lingus reduced the value of its stake in GPA Group, the aircraft leasing group, by I£21.9m ($38m) in its annual accounts after GPA's failed international public offering. Page 16

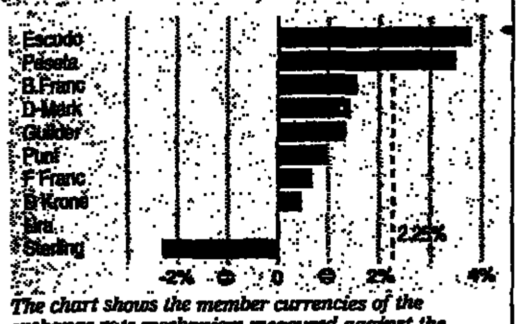
Peace negotiations: Arab states and Israel are expected to resume peace negotiations in Washington next month after Arab foreign ministers endorsed an early resumption. Page 3

Ukrainian bond aid: Americans and Canadians of Ukrainian descent are hoping to emulate the success of State of Israel bonds by raising money for their homeland through a series of interest-bearing Ukraine bonds. Page 15

UK building contractors have reduced their charges for construction work by up to 30 per cent since 1989, emphasising the depth of the recession. Page 6

European Monetary System: Sterling remains at the bottom of the grid after making up lost ground against the D-Mark on Friday to close at DM2.85. The lira managed to stay ahead of the pound by repeated central bank intervention and a tightening of monetary policy by the Italian government. Analysts believe that if the dollar breaks out of its current range and rises against the D-Mark, the pressure on sterling and the lira could ease. Currencies, Page 25

EMS: Grid July 24, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with six per cent fluctuation bands.

Italian reform: Consob, Italy's stock market and companies watchdog, released its long-awaited rules governing takeover bids in a further step to reform the stock market. Page 17

Tour de France: Cyclist Miguel Indurain of Spain won his second successive Tour de France. Italians Claudio Chiappucci and Gianni Bugno were second and third respectively.

Win for England: England beat Pakistan by six wickets in the fourth Cornhill Insurance Test at Headingley to level the series 1-1.

Motor racing: Nigel Mansell of the UK won the German Grand Prix.

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Weighing the options in weekend talks at the US president's Camp David retreat are, from left, Vice-President Quayle, President Bush, defence secretary Richard Cheney, national security adviser Brent Scowcroft, General Colin Powell, chairman of the joint chiefs of staff, and CIA director Robert Gates

Iraq bows to UN pressure

By George Graham in Washington and Michael Littlejohns at the United Nations

IRAQ yesterday averted its most serious clash with the United Nations since the end of the Gulf War by agreeing to allow inspectors to search its agriculture ministry in Baghdad.

Mr Rolf Ekeus, the UN official overseeing the dismantling of Iraq's weapons of mass destruction, was due to leave for the Iraqi capital yesterday to lead a new UN inspection team agreed in talks between the UN and Iraq over the weekend.

Mr Ekeus said he was leaving for Baghdad to supervise the situation. Asked if the crisis was over, he said: "I feel the immediate problem is now settled. I am convinced about that."

But US administration officials last night refused to lift the threat of military action against Baghdad, citing other examples of Iraqi defiance of UN resolutions. The US, France and Britain have made increasingly overt threats of military action in the last week after UN inspectors were denied access.

UN inspectors were forced to camp for 18 days outside the ministry which they believed housed information on Iraq's missile programme. Increasingly hostile demonstrations finally forced them to leave the country.

Mr Abdul Amir al-Anbari, Iraq's ambassador to the UN, said the dispute had been resolved "to the mutual satisfaction of both the commission and the Iraqi government."

Mr Ekeus said he had selected a new team composed of Germans, Swiss and Russians. Mr Anbari had indicated earlier that the team would include only inspectors from nationalities who did not participate in the US-led Gulf war.

Mr Ekeus acknowledged a probability that during the stand-off the ministry building had

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been "effectively cleaned out." But there still might remain material significance for the UN inspectors, including some that was related to missiles and nuclear weapons.

Asked if Iraq's intransigence had thwarted security council efforts to eliminate its heavy arms capability, he said: "I think we have successfully identified existing weapons and destroyed them." Even more important was that the Iraqi production capability had been destroyed, and there was no possibility of a major new effort to reconstruct the missile programme.

He said that operations since the ceasefire meant Iraq was no longer a "threat through intimidation and terror". But it still had a formidable air force and strong conventional land force.

US officials warned yesterday that the resolution of the inspection crisis was only one element in a pattern of confrontation by Iraq. Administration officials warned Iraq that they still wanted full compliance with all UN resolutions, and refused to lift the threat of military action.

Mr James Baker, the US secretary of state, in the Philippines earlier yesterday said: "What really troubles us isn't just the stand-off at the agriculture ministry. It is the general flouting of UN security council resolutions across the board that tends to destroy the credibility of the UN as the world's pre-eminent peace-keeping body."

Mr Lawrence Eagleburger, the deputy secretary of state, said that even after the resolution of the immediate crisis "it is likely that something will continue to happen until he gets into compliance" with the other UN resolutions Iraq has defied.

Mr Richard Cheney, the US defence secretary, said that as well as giving unrestricted access to UN inspectors, Iraq must:

- Agree to the destruction of anything that supports a programme of weapons of mass destruction and ballistic missiles.
- Agree not to use military force to suppress the Shi'a in the south.
- Participate in the UN-sponsored commission to resolve the boundary dispute with Kuwait.
- Allow UN refugee and humanitarian officials to continue to have unimpeded access to Iraq.

"The key issue here is whether or not Iraq is willing to comply with the UN Security Council resolutions that they agreed to as part of the ceasefire arrangements at the end of the Gulf War," Mr Cheney said in a television interview, after a meeting between President George Bush and his top security advisers.

Bank of Japan discount rate cut expected

By Robert Thomson in Tokyo

JAPANESE government leaders welcomed reports yesterday that the Bank of Japan will cut official interest rates as early as today in an admission that the economy is in worse shape than the bank had previously conceded.

The central bank's reported plan to cut the official discount rate (ODR) from 3.75 per cent to 3.25 per cent encouraged the securities industry, which feared that the Tokyo stock market would continue to fall this week after losing 3.4 per cent on Friday to close at a six-year low.

Central bank officials had hoped that the lowering of the ODR from 4.5 per cent on April 1 would be the last cut for the year, but a quarterly economy forecast published last week recognised that economic recovery would not, as predicted, come in the autumn.

After the deregulation of Japan's financial markets, the effects of an ODR cut will be more symbolic than real, although it would encourage downward movement in market rates. In recent days, the central bank has allowed market rates to fall, heightening speculation that a cut was imminent.

A rate cut is certain to be widely interpreted as an attempt to bolster the ailing stock market, but Mr Yasushi Mieno, the Bank of Japan governor, has previously insisted that "official interest rates are not reduced to support share prices".

Mr Mieno is concerned that growth is being retarded by the "pessimistic mood" of Japanese consumers. The bank is also worried that pressure is increasing on Japanese financial institutions, which are restructuring a growing number of corporate clients exposed to the stock and property markets, and unable to trade themselves out of trouble.

At the same time, Japan is under growing US pressure to meet the official 3.5 per cent growth forecast for the year to

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US Sprint likely to win British telecoms licence

By Alison Smith

THE UK government is on the verge of granting to a US telecoms carrier a licence which would break the duopoly of British Telecom and Mercury in UK international telephone traffic.

Insiders at the department of trade and industry say that Mr Michael Heseltine, trade and industry secretary, is "on the brink" of giving the licence to privately-owned US Sprint, the third-largest long-distance telecoms carrier in the US. A decision may come within two weeks.

Sprint applied for an international facilities licence in January, but the application was delayed by April's general election. The move to open up the system follows last year's telecoms policy paper which provided for domestic network competition but was vague on international communications, where BT and Mercury achieve their highest profitability.

The intention was to bring "resale" into the international market, where the country at the other end had an equally open telecommunications market. If granted a licence, Sprint could lease international cable and satellite capacity in bulk from BT or Mercury and then seek to sell usage to customers at lower rates.

There is considerable pressure to grant Sprint's application, as ministers believe that the international network is the market sector where prices are most out of line with costs. The Conservatives' election manifesto promised that "the work of liberalising markets which were once monopolised goes on".

But ministers are concerned that if the UK market is alone in opening itself up to competition, British companies could be at a disadvantage, and that foreign telephone companies could abuse their power in overseas markets to distort competition in the UK.

The DTI regards most foreign telecommunications regimes as "pretty much closed" to international competition, and is even slightly sceptical about the liberal nature of the US system. One official commented that although the US system is apparently open to competition, in reality the way the regulatory system works makes it difficult for foreign operators to work effectively.

The Americans have said they will make some changes, but even those would leave the market more regulated than in the UK.

Lloyd's poised to have new chairman

By Richard Lapper

MR David Rowland, chairman of Sedgwick, the UK's second biggest insurance broker, is expected to become chairman of Lloyd's of London in a move likely to boost confidence and spur reform at the troubled insurance market.

The outgoing chairman, Mr David Coleridge, will today endorse Mr Rowland as his successor to the top job at Lloyd's at an extraordinary general meeting called by dissatisfied Names. It is the first Lloyd's EGM in a decade.

Mr Rowland will have to be elected to the 28-man council, the Lloyd's governing body, which will select the new chairman from among its own number in December. But the council is already understood to have signalled its support for Mr Rowland.

Mr Rowland is understood to have accepted the job in principle, a full-time paid post lasting for three years and beginning on January 1 1993. Mr Coleridge will leave as originally planned in December after two years in the job.

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CONTENTS

Crucial week for Italy's emergency economic package

By Robert Graham in Rome

THE Italian government's emergency economic package faces a decisive week in parliament.

The package, which seeks to raise L30,000bn ($26.5bn) through revenues and spending cuts, is due to be debated by the Chamber of Deputies by Wednesday. Mr Giuliano Amato, the Socialist prime minister, has yet to decide whether to urge a vote of confidence, but he may be forced to do so to ensure swift approval.

Some 500 amendments have been tabled mainly by the populist Lombard League and the breakaway communists grouping, Reconstructed Communism. But so far the package, announced on July 10, has gone through the lengthy parliamentary procedures in record time.

Mr Amato said at the weekend that he had repeatedly underlined the dramatic state of Italy's finances to all 16 parties in parliament over the past two weeks, and believed the message for urgent action had sunk in.

His message has been reinforced by the continued weakness of the lira and latest figures on the public sector deficit. During the first five months of the year the deficit reached L83,000bn, 24 per cent higher than the same period in 1991.

Even with the emergency package this means the deficit for 1992 is unlikely to be less than L150,000bn against the original estimate of L128,000bn, equivalent to 10.3 per cent of GDP.

Mr Amato's government – backed by the Christian Democrats, Socialists, Social Democrats and Liberals – only has a 16-seat majority in the chamber of deputies. But the prime minister still hopes to broaden his support, encouraged by a softening of the small Republican's party's opposition to the measures.

THE Italian government decided at the weekend to send 7,000 troops to Sicily to bolster the security forces in their operations against the Mafia on the island, writes Robert Graham.

The use of the army marks a significant escalation in the fight against organised crime; it is the first time in the post-second world war era that army personnel have been deployed in this way. The troops will protect public buildings, high-risk personnel and conduct searches.

The move follows the Sicilian Mafia's increasingly brazen defiance of the state. The organisation is considered responsible for the assassination of Italy's two leading anti-Mafia magistrates, along with eight of their bodyguards, in the past two months.

He admitted last week's decision to abandon the creation of two superholdings to facilitate privatisation of the main state entities was a political set-back. However, Mr Amato said the two superholdings risked becoming unworkable.

He confirmed reports that Prof Giuseppe Guarino, the industry minister who proposed the scheme, had offered to resign. One of the factors weighing against the move was Mr Amato's discovery that the Italian banks, who were expected to underwrite bonds to the tune of L4,000bn this year in the superholdings, would have done so only if specifically pressured by the prime minister.

Mr Amato said he believed it would now be easier to privatise directly through the main state entities, which in the past two weeks have become joint stock companies. He expected the first privatisation move would come from the flotation of Agip, the oil exploration subsidiary of ENI, the state oil concern.

Giuliano Amato: believed his message had sunk in

He also hinted IRI, the main state holding, might sell off one of its banking subsidiaries. The government, he said, was still committed to raising at least L4,000bn through privatisations this year.

Mr Amato said the abandonment of the two superholdings did not mean a change in his government's broader aim of slimming down the state sector. Control of the four main state entities which had become joint stock companies – IRI, ENI, Enel, the electricity authority, and INA, the insurance institute – was in the hands of the Treasury.

There is likely to be a big battle over how IRI obtains new funds, if it is to remain as head of a group controlling a L79,000bn turnover with debts of L60,000bn. IRI is due to have its new statutes approved on August 6 but it only has provisional capital of L1,873bn.

Rome considering new tax incentives

By Haig Simonian in Milan

ITALY'S government may be about to introduce new tax incentives encouraging private investors to buy shares to smooth the path of its planned privatisation programme.

Mr Giovanni Goria, finance minister, called on stockbrokers for "a few more days of patience, then the measures to support the bourse will arrive". He gave no details of the items being considered.

However, bankers believe a suspension, or possible abolition, of the country's relatively new capital gains tax on equity dealings may be among the priorities. Some also think the government might be considering a new law, similar to France's Loi Monory, offering private investors tax incentives to purchase equities.

Any measures to encourage share buying would have to be modest, in order not to divert private savings out of funding the budget deficit. Private investors are currently the main buyers of short-term Treasury bills, which have traditionally been given tax advantages over equities in order to siphon investors' savings into covering the deficit.

Suspending capital gains tax, which was revised three times before finally being introduced last year, would be popular on the bourse. Brokers say the tax, which has produced only modest receipts for the Treasury, has had a substantial impact on sentiment towards equities.

Last week was one of the most dismal in the history of the Milan stock market, with the Comit share index falling to its lowest level since late 1986. After plunging on Monday after the Mafia murder of a leading judge, equities continued to slip on the back of sinking confidence in the domestic economy and corporate profits.

However, a lively stock-market is one of the pre-requisites for the plans of Mr Giuliano Amato, the prime minister, for a large-scale privatisation programme.

Although shares in public-sector companies will be sold internationally, the domestic market will be expected to absorb a substantial proportion of the equity on offer.

Brazilian president's former private secretary to testify

Collor crisis nears climax

By Christina Lamb in Rio de Janeiro

BRAZILIAN President Fernando Collor's desperate bid to save his political career is expected to come to a head today with the crucial testimony of Mr Claudio Vieira, his former private secretary, which Mr Collor says will prove his innocence of corruption charges.

The crisis has gripped the nation for two months, since Mr Collor's younger brother accused him of corruption. This provoked a congressional inquiry (CPI) into alleged extortion by the president's friend, campaign treasurer and alleged frontman, Mr Paulo César Farias, who is known as PC.

The noose had tightened around Mr Collor last week after documentary evidence presented to the CPI revealed financial connections between Mr Farias, the government and the president's family.

Congressmen from all parties emerged shocked from CPI sessions in which they scrutinised more than 40,000 cheques, receipts and bank statements made available by the central bank and federal police. The documents allegedly show that Mr Farias was running a kick-back scheme, controlling 30 per cent of the government budget and receiving millions of dollars from construction companies in exchange for arranging government contracts.

Questioned by the police, the owners of these companies have been unable to explain the payments which, in one case, amounted to $3m.

According to Brazilian press reports, the documents also show that Mr Farias and his companies, often using fake names, were paying the president's household expenses including his car, fittings, payments to his first wife and the wardrobe of his second wife, Rosane.

Calls for the president's impeachment have reached a new level and his future hinges on today's evidence. Mr Collor has claimed in a nationwide address that he has had no contact with Mr Farias for two years and that Mr Vieira was controlling all his bank accounts.

Mr Collor, who returns to Brazil today from the opening of the Olympic Games in Spain, continues to insist he is the victim of a "campaign by coupmakers". The last few days have seen demonstrations of support for the vice-president who would take over in the event of impeachment.

Mr Benedito de Figueiredo, a congressman from the PFL, the main pro-government party, defected last week, claiming, "there is no way to deny that the president is involved".

Romanian economy in decline

ROMANIA'S already weak economy declined further in the first half of 1992, figures published by the country's statistics commission indicate, writes Virginia Marsh in Bucharest.

Mr George Danielescu, minister of finance, described the country's half-year economic indicators as grim. He singled out the continuing drop in industrial production and high inflation as particularly negative signs.

Industrial production fell by 19.5 per cent in the first half, contributing to an overall decline of 47 per cent since 1989 when the Ceausescu regime was overthrown, while consumer price inflation has this year averaged 10.4 per cent a month.

Inflationary pressures will remain high in coming months due to the near 100 per cent devaluation of the leu in the past three months and to a further 25 per cent reduction in subsidies on many basic foods due on September 1.

On a more positive note, Mr Danielescu stressed Romania's foreign debt – $3.24bn or $141 per capita – remained low and compared favourably with Bulgaria, Poland and Hungary, where per capita debt exceeded $1,200.

He was also encouraged by growth in exports, up 21 per cent against last year's period.

Ministers to push for VAT accord

By Andrew Hill in Brussels

ONE of the largest remaining obstacles to a barrier-free European market could be removed later today, when EC finance ministers will make their strongest bid yet to agree minimum VAT rates and excise duties.

At a 10-hour meeting in Brussels last week national officials swept away some of the remaining hurdles to a harmonised indirect tax regime.

The British presidency of the EC has now arranged for ministers to have a whole day to tackle the remaining problems, following up their meeting last month when they came close to agreeing the package of eight indirect tax directives.

If they fail, further discussion will be delayed until after the EC's unofficial summer break, making it practically impossible to implement the new system by the end of the year. That would give member states an excuse to postpone the lifting of border controls on goods come 1993.

"It is essential that we don't wait for the September meeting, but sort these things out on Monday," said a senior Commission official at the weekend.

The meeting will be chaired by Mr Norman Lamont, Britain's chancellor of the exchequer. He raised hopes for an agreement last month when he indicated the UK could relax its long-standing opposition to a binding minimum standard VAT rate of 15 per cent. At today's meeting the British paymaster general, Sir John Cope – who will represent London's position – is likely to insist that the directive on rates should be reviewed after four or five years.

The greatest worry is that agreement on the whole package might be derailed by individual national concerns about the tax rating of everything from children's seat-belts to guide dogs for the blind.

Mr Lamont is expected to table a compromise on one outstanding problem – excise duty on whisky. The deal will be based on an earlier Portuguese compromise which would split national duties into two tiers. Ministers will be asked to decide where to fix two levels of duty. Under the Portuguese suggestions, only Spain would have to increase its tax on spirits, while duty in most other countries would be frozen at current rates.

Other potential problems include Belgian concerns about the VAT exemption for gold in neighbouring Luxembourg. France is also worried that the Netherlands and Germany may win the right to apply reduced rates to flowers.

Paris trims campaign for Yes to Maastricht

By William Dawkins in Paris

THE French government has cancelled a radio and television campaign for a Yes vote in the September 20 referendum on European union, after the CSA broadcasting authority demanded changes.

The move, triggered by opposition claims that the FFr25m ($4.90m) campaign was a waste of taxpayers' money, is an embarrassment at a time when the popularity of President François Mitterrand and Mr Pierre Bérégovoy, prime minister, is sinking to new lows.

However, the government claims it has not climbed down and will continue with a poster campaign, to start in 75 newspapers and on 6,814 billboards today, representing well over half the campaign's cost.

Mr Mitterrand's popularity has fallen by two percentage points over the past month, to 26 per cent. This is the lowest level since before last March's disastrous regional elections, according to an Ifop poll in Le Journal du Dimanche newspaper yesterday.

Only 32 per cent of French voters are satisfied with Mr Bérégovoy, while 39 per cent are dissatisfied, according to the survey.

This is the first time Mr Bérégovoy's unpopularity rating has exceeded his popularity score since he came to office in April, an indication that his prime ministerial honeymoon is over.

The Maastricht campaign row further dents the government's image, already battered by the truckers' strike – which shortly predated the Ifop poll – farmers' demonstrations, and scandals over political corruption and the distribution of Aids-infected blood by the national transfusion service.

Mr Philippe de Villiers, an anti-Maastricht member of parliament in the pro-European UDF party, complained to the CSA that the television and radio advertising campaign, which was due to start today, breached a 1990 law against broadcasting political publicity. It was not a straight public information campaign as it was biased in favour of the Maastricht treaty, he maintained.

Political posters and newspaper advertising are not covered by this law.

Mr Philippe Séguin, a leading anti-Maastricht campaigner in the Gaullist RPR party, dubbed it "a scandalous misappropriation of public funds" and called on the government to scrap the poster campaign as well.

NEWS IN BRIEF

Hindus halt building of temple

HINDU fundamentalists stopped building a temple on the site of a 16th-century mosque yesterday taking some of the heat out of the religious tensions which have inflamed India in the past few weeks, Reuter reports from Ayodhya, India.

Hardline Hindu leaders announced that work was stopping for three months to allow Prime Minister P.V. Narasimha Rao to resolve the dispute over whether Moslem's or Hindus had first call on the shrine in Ayodhya.

"We agreed to call off the work when Rao gave us a categorical assurance that he would take personal interest to resolve the dispute within three months," Ashok Singhal, leader of the Vishwa Hindu Parishad, World Hindu council, said.

Low turnout in Albanian polls

Albanians straggled to the polls in searing heat yesterday in their first free municipal elections since the second world war, AP reports from Tirana. After most polling stations closed at 6pm, the Central Electoral Commission reported that preliminary figures indicated only a 60 per cent turnout.

Polish PM seeks rule by decree

The two-week old government of Polish Prime Minister Hanna Suchocka is to ask for powers to rule by decree to improve the efficiency of government work, the PAP news agency reported yesterday, AP reports from Warsaw.

President Lech Walesa discussed the question with Mr Suchocka after religious ceremonies in the Baltic port of Gdansk. The decrees are expected to allow the government to bypass the lower house of parliament, which is faced with an overwhelming backlog of vital economic legislation.

Broad Yugoslav conference 'must look at refugees'

By Quentin Peel in Bonn and David Owen in London

GERMANY yesterday threw its weight behind the British initiative for a full-scale international peace conference to end fighting in former Yugoslavia, and called for the growing refugee crisis to be high on the agenda.

The conference was announced at the weekend, as part of a European Community effort to broaden the scope of existing peace efforts.

Mr Douglas Hurd, British foreign secretary, said the conference, to be held in late August, probably in London, followed calls from several quarters – including France, the United Nations Security Council and the EC – for an international initiative.

Mr Klaus Kinkel, German foreign minister, appealed for a radically improved aid effort by both the EC and the rest of the international community. As the first three of six special trains arrived in Germany carrying 2,600 refugees fleeing fighting in Bosnia-Hercegovina, Mr Kinkel said: "No time must be lost. This conference must begin as quickly as possible."

He called in particular for Russia to be involved in the conference, in addition to the UN, EC and the Conference on Security and Co-operation in Europe, in order to exploit Moscow's influence on the Serbian leadership.

Mr Kinkel said the fighting in Bosnia had already unleashed the greatest flight of refugees in Europe since the second world war, and Germany had borne the brunt of it. Since the start of the war in the former Yugoslavia, more than 200,000 people from the region have been allowed into Germany as asylum-seekers or refugees.

"We can only help the refugees by acting together," he said. "This problem cannot be solved without European and international solidarity."

He also appealed to the UN to allow aircraft involved in the present humanitarian airlift into Sarajevo, the Bosnian capital, to be used to carry children and wounded refugees out.

Mr Kinkel insisted the conference be based on principles already worked out by the EC peace conference, chaired by Lord Carrington. These include the refusal of international recognition of any territory conquered by Serbia by force, guarantees of the rights of ethnic minorities, and an immediate renunciation of the use of force.

In London, the Foreign Office said discussion of military options would be on the agenda, but only insofar as they could help secure a long-term solution to the region's problems.

British officials are anxious to portray the international conference as a continuation of existing efforts, in order to safeguard undertakings already given.

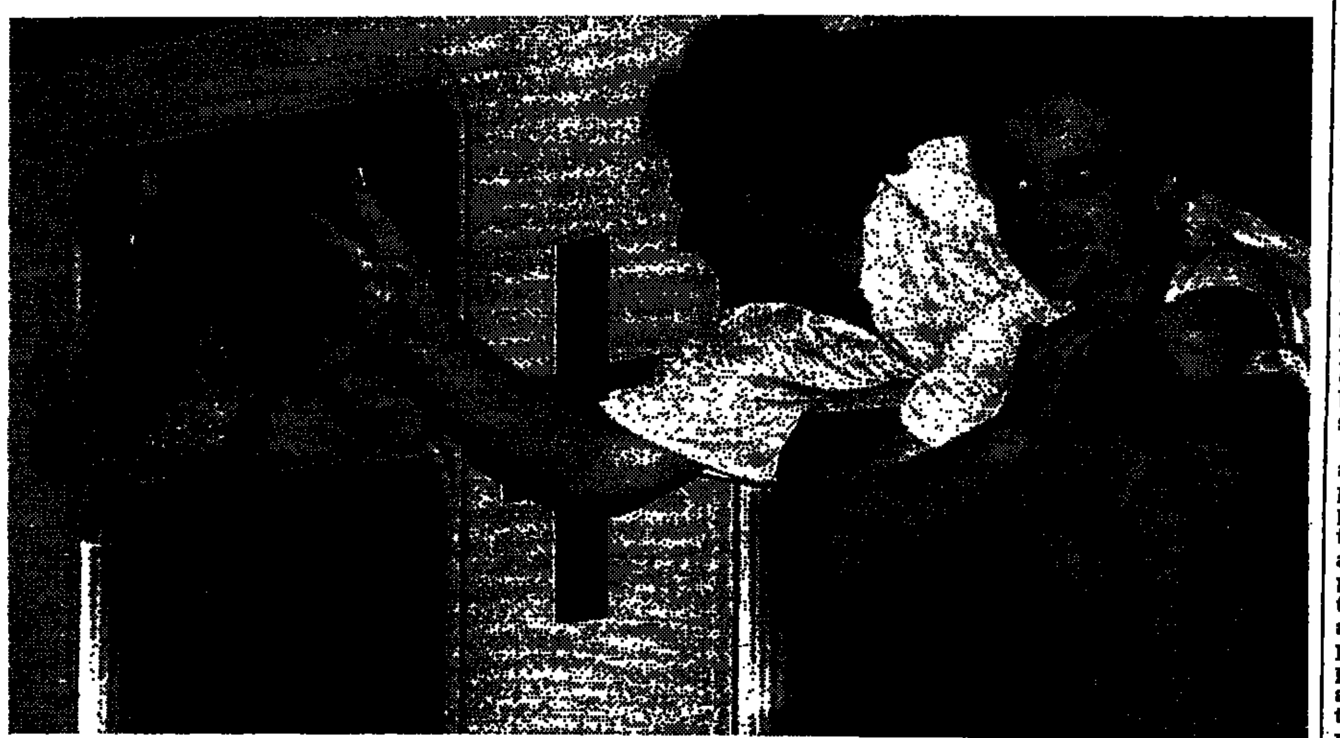
● UN officials were considering yesterday an air drop to Gorazde, the last Moslem stronghold in eastern Bosnia, after the failure of efforts to reach the besieged town overland, writes Laura Silber in Belgrade.

Mr Fabrizio Hochshild, representative of the UN High Commissioner for Refugees, said yesterday: "The only other option is a ceasefire, but given the history of ceasefires this seems unlikely."

After returning to Sarajevo with a relief convoy, Mr Hochshild ruled out the possibility of overland relief to Gorazde, besieged by Serb forces for 80 days. Some 70,000 people are trapped in the town without water or electricity and supplies of food and medicine are badly needed.

The UN convoy was trapped 12km outside Gorazde after hitting two landmines on a road strewn with the corpses of Serb soldiers.

Meanwhile, after heavy shelling overnight Radio Sarajevo said that fighting had eased in the besieged capital yesterday.



Bosnian refugees on board a special train taking them to Germany signal their relief during a stop en route

Change of heart on peace talks

Britain has reluctantly accepted the need for an enlarged conference to end fighting, writes Robert Mauthner

BRITAIN'S decision to call an international conference on Yugoslavia, probably to be held in London at the end of next month, represents a remarkable change of heart.

After persistently maintaining that the European Community-sponsored peace conference, chaired by Lord Carrington, remained the best forum for negotiating a settlement between the warring parties in Bosnia-Hercegovina and other parts of the former Yugoslavia, Mr Douglas Hurd, British foreign secretary, has pragmatically, if reluctantly, accepted the view that it must be widened.

Under Mr Hurd's proposal, made in his capacity as current president of the EC, not only the United Nations and the 52-member Conference on Security and Co-operation in Europe (CSCE) will be represented at the enlarged conference, but other "principal governments and parties concerned", such as the US and Russia.

Mr Hurd, who disclosed his proposal over the weekend in a BBC radio interview in Manila, where he was attending a conference between the EC and the Association of South-East Asian Nations (Asean), described the new forum as "an evolution of the EC peace effort". He said he would chair the conference, but that Lord Carrington would remain co-chairman.

The conference would look at "all possible options" to end fighting, initially in Bosnia-Hercegovina, where about 7,500 people have been killed since the region's Serbs rose up against a vote in March by the republic's Moslem and Croat population in favour of independence. However, Mr Hurd made it clear he did not consider the use of military force to impose a political solution to be a feasible option.

Following the repeated failure of ceasefire agreements negotiated by warring parties under the umbrella of the EC peace conference, a ceasefire on the ground will not be a precondition for holding the enlarged conference. But it is clear that, in the absence of a halt to fighting in Bosnia, it will not be any easier to negotiate a political and constitutional settlement than it was in the EC forum.

It was a public outburst last week by Mr Boutros Boutros Ghali, UN secretary-general, who complained about the lack of consultation between the EC conference and the UN, which was being asked to perform supervisory functions in Bosnia beyond its present capacities, which brought matters to a head. Mr Hurd made a stopover in New York on his way to Manila to smooth Mr Boutros Ghali's ruffled feathers. It was then that the groundwork was laid for the new conference.

However, an enlarged international conference was originally proposed by President François Mitterrand of France, on the grounds that the Carrington conference had, in the words of his foreign minister Roland Dumas, "reached its limits".

Not surprisingly, France has welcomed Mr Hurd's initiative. A Foreign Ministry spokesman said one of the advantages of an enlarged international forum was that it would bring in the Russians, who were best placed to exert pressure on the Serbs, while the Germans, with their close relationship with Croatia, could also have a bigger individual role to play in a wider conference.

Notwithstanding the fact that the EC conference is on the point of being superseded, Lord Carrington is going ahead with a meeting in London today of the three warring parties in Bosnia.

This was called on July 17 following agreement on a ceasefire, which was supposed to last at least 14 days but which collapsed almost as soon as it was signed.

Acceptances to attend the meeting have been received from Mr Radovan Karadzic, leader of Bosnia's Serbs, and Mr Mate Boban, the region's Croat leader.

Moslem President Alija Izetbegovic has said he will send a representative.

Lord Carrington has made it clear he will no longer attempt to negotiate a ceasefire, but will try to focus the talks on a constitutional settlement.

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Hopes rise of early talks on Mideast

By Tony Walker in Cairo

ARAB states and Israel are expected to resume peace negotiations in Washington early next month after a meeting in Damascus at the weekend of Arab foreign ministers endorsed an early resumption.

Mr Farouk al-Shara, the Syrian foreign minister, said the Arabs were ready to resume bilateral talks "as soon as possible". In Jerusalem, officials at prime minister Mr Yitzhak Rabin's office said they had not received any formal invitation and expressed reservations about meeting at such an early date. However they indicated they would accept Washington as venue for the talks.

Mr James Baker, the US secretary of state, who completed a Middle East tour last Friday aimed at revitalising the peace process, had urged both Israel and its Arab neighbours to bring forward talks.

He suggested the two sides should re-convene on August 10. Previously, they had agreed to hold the sixth round of bilateral negotiations in Rome in September, but the defeat of the hardline Likud government in Israel and its replacement by the dovish Labour party prompted renewed efforts to accelerate the process.

Israel and the representatives of Syria and Lebanon plus a Jordanian-Palestinian team have held five rounds of desultory discussions on issues of land and peace since the US-sponsored process started in Madrid last October.

Syria, Lebanon and Jordan were represented in Damascus by their foreign ministers. Mr Farouk Kaddoumi, head of the Palestine Liberation Organisation's "political department", represented the Palestinians. Also in attendance was Dr Haider Abdel Shafi, the head of the Palestinian delegation at the peace talks.

Dr Shafi is from the Israeli-occupied Gaza Strip.

Israel bank warns on loans guarantee waste

By Hugh Carnegy in Jerusalem

ISRAEL'S central bank yesterday warned the government not to waste on current spending $10bn in US loan guarantees it now expects to secure. It said they must be used to finance productive investment which would ensure the loans can be repaid, listing the country's heavy defence spending among expenditures that must be reviewed.

Mr Jacob Frenkel, the governor of the Bank of Israel, told a cabinet meeting that winning the loan guarantees, sought to help finance the absorption of mass immigration from the former Soviet Union, would increase confidence and investment in an economy burdened by sluggish growth and high unemployment.

The new Labour-led coalition aims to use the guarantees to underwrite a big foreign borrowing programme that is a cornerstone of its recovery plans. It is confident they will be released following the government's move to curb Jewish settlements in the occupied territories, in keeping with US conditions for the aid.

Mr Frenkel told ministers the guarantees must be used to support business policies that would produce sustainable growth. He said the government must accelerate investment in infrastructure, education and training, reduce corporate taxation and speed reforms such as privatisation.

Supporters of the African National Congress demonstrate in Johannesburg at the weekend in the run-up to mass protests designed to topple the government

Seoul seeks to resolve impasse with N Korea

John Burton on the thinking behind Seoul's offer of aid

SOUTH Korean officials are hoping offers of economic aid made last week will persuade North Korea to break a stalemate on nuclear inspections.

North and South Korea signed reconciliation agreements last December, including a ban on nuclear weapons. But talks on implemention of the pacts have become bogged down. Pyongyang is refusing to allow South Korean counterparts in Seoul to conduct checks of suspected nuclear research facilities, which would complement scheduled inspections already being made by the International Atomic Energy Agency. In response, South Korea has frozen planned investments in North Korea.

But with a presidential election in December, Seoul wants to find a settlement by the autumn. The country's big business groups, some of which are strong supporters of the ruling Democratic Liberal Party, are growing impatient at the delay in entering North Korea. By inviting Mr Kim Dal-hyon, the North Korean deputy prime minister, to tour industrial facilities in South Korea last week, Seoul wanted to underscore to Pyongyang that it has much to gain economically if it makes a concession on the nuclear issue.

Mr Kim is believed to be one of few senior North Korean officials receptive to Seoul's offer. His position as trade minister and chairman of the External Economic Committee has led to his support for opening the country to foreign investment and expanding trade to bolster the troubled North Korean economy. He is also a nephew of Kim Il-sung, the North Korean leader.

Talks on economic co-operation will continue. Mr Choi Gak-kyu, head of the Economic Planning Board, the most powerful economic agency in Seoul, is expected to travel soon to North Korea. Seoul will also send a study team to examine a proposed industrial complex in the port city of Nampo, south-west of Pyongyang.

South Korean companies are interested in investing in North Korea because of its skilled, but cheap, labour and its raw materials, including minerals such as zinc. At present there is no South Korean investment in North Korea.

Daewoo has taken the lead in building contacts with the north over the Nampo complex and Mr Kim Woo Choong, the Daewoo chairman, recently met Mr Kim in Moscow to discuss construction of a natural gas pipeline from Russia through North Korea to South Korea.

Samsung and Lucky-Goldstar have trade relations with North Korea and import textiles and raw materials.

Hyundai's interest in North Korea has cooled following an aborted attempt to forge economic ties in 1989 when Mr Chung Ju-yung, the Hyundai chairman, visited Pyongyang. Plans for Hyundai to develop a holiday resort area and a ship repair yard floundered after objections by Seoul. Hyundai also angered North Korea by seeking timber concessions in the Russian Far East, also sought by Pyongyang.

Despite the recent freeze on economic relations trade links between the two countries, which were formalised in April 1991, increased by 31 per cent to $166.9m 9m) during the first half of 1992.

Japan's voters spurn 'ox-walking' opposition

Robert Thomson on the failure to capitalise on ruling party mishaps

WHEN Mr Kiichi Miyazawa, the Japanese prime minister, last night painted in the eye of a traditional *daruma* doll to celebrate the ruling Liberal Democratic party's electoral successes, the country's opposition parties' leaders pointed to a record low turnout as evidence of disillusionment with the LDP.

But the turn-out was more a measure of popular disgust with the opposition parties and, in particular, the Social Democratic party (SDPJ), which was called the Socialist party when it scored a remarkable victory in the 1989 upper House election.

Last night, Miss Takako Doi, the party's leader during that triumphant campaign, insisted that the country "must not forget the hundreds of thousands who died in the [second world] war". Her statement was a defence of the party's decision to focus its campaign on the use of Japanese military personnel for international peace-keeping organisations, and to ignore most other issues.

However, Miss Doi, replaced as party leader last year, is herself a symbol of the inability of the SDPJ to make itself a genuine alternative to the LDP. During the past three years, the ruling party has been tainted by scandals and factional farces, and yet popular support for the leading opposition party has crumbled.

For many Japanese, the party has become known as the "ox-walking opposition", a reference to the painfully slow steps taken during the parliamentary vote last month on the peace-keeping legislation.

Japanese harbour doubts about that legislation, but they are also looking for sound economic management and a fair share of the public works pork barrel. The inability of the SDPJ to offer an alternative is rooted in the factional make-up of the party. While the LDP's factions, and the patronage system they encourage, are rightly famous, the SDPJ is also deeply divided and remains under the influence of an ideological left wing.

"Seventy per cent of the party is to the right of the left wing", as a senior official put it, but the remaining 30 per cent, including Miss Doi herself, controls many of its policy-making committees. This left-wing faction is almost incoherent on issues such as relations with the US and the status of South Korea – the faction is a firm supporter of North Korea and Kim Il Sung, its authoritarian Great Leader.

The SDPJ has been feeble in fashioning economic policy and its present leader, Mr Makoto Tanabe, preferred to attack a 3 per cent value-added tax introduced before the 1989 election than to recommend measures to stimulate the slowing economy.

Last night's results are a victory for Mr Miyazawa, whose first few months in office were awkward. His faction manager, Mr Fumio Abe, was forced to resign in January when arrested for allegedly accepting bribes, and it was rumoured then that Mr Miyazawa would be replaced before the summer.

Among the smaller opposition parties, last night's results confirmed that Komeito (the Clean Government party) can rely on its religious base, the Soka Gakkai movement, to deliver the votes to maintain its minority status. But Rengo, the trade union party, discovered that it cannot rely on its union base to ensure success, as it appears not to have won a seat.

One of the parties that was supposed to lead a "realignment of Japanese politics", Rengo brawled publicly over the peace-keeping legislation with the SDPJ, which had supported that party's candidates at the previous election.

Rengo argued in favour of lower taxes and higher pensions, but when Mr Tasaburo Furukawa, the party's secretary-general, was asked before the election about plans for an opposition party alliance, he replied vaguely: "We have a plan, but we can't discuss it now." Voters were apparently not impressed.

Hurd to discuss China dispute

By Simon Holberton in Hong Kong

BRITAIN'S foreign secretary, Mr Douglas Hurd, arrived in Hong Kong yesterday for a two-day visit expected to be dominated by a dispute between Britain and China about how to finance a big new airport, and local demands for more democracy.

On his arrival Mr Hurd said the dispute over the HK$175.3 ($22.3bn) airport would be solved within the framework agreed between Mr John Major, the UK prime minister, and Mr Li Peng, his Chinese counterpart, in Beijing last September.

That agreement was regarded at the time as a successful conclusion to two years of often bitter talks. Mr Hurd said he did not know how long the latest round of talks would take.

China has castigated the Hong Kong government for disclosing details of the negotiations. It is concerned about the cost of the project and the financial support which the government plans to make available to public sector corporations constructing key projects.

But Hong Kong officials believe China's stated concerns are a cloak for larger worries about the pace of democratic development in the colony. They are also perturbed by the plans of Mr Chris Patten, the new governor, to consult locally about political matters before he makes any decisions.

Mr Patten seems determined not to be pushed into early decisions. He plans to reshape his cabinet at about the time he opens a session of the local legislature on October 7.

Iraqi president flexes muscles in strongest challenge yet to UN resolutions

Saddam pulls back from brink

By Tony Walker in Cairo

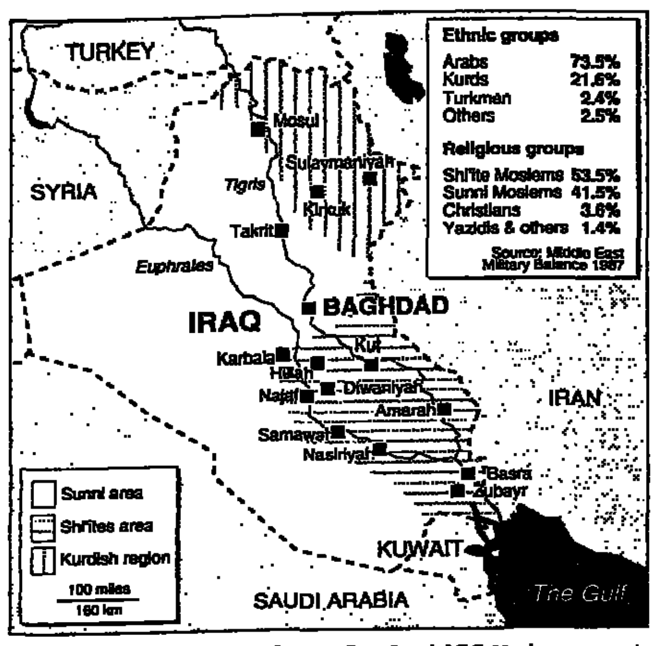
PRESIDENT Saddam Hussein has once again pulled back from the brink of a fresh military confrontation with the west. But on this occasion he came closer to provoking military action than at any time since the end of the Gulf conflict in February last year.

Iraq's refusal to grant access for United Nations weapons inspectors – charged with identifying and dismantling Iraq's weapons of mass destruction – to the agriculture ministry in Baghdad was the strong challenge yet to the terms of the UN Gulf ceasefire resolutions. It also concided with signs of increasing defiance from Baghdad.

Earlier this month in a speech that recalled some of his more bombastic statements during the Gulf crisis, Mr Saddam sneered at the UN, the west and its regional allies.

The UN Security Council, he declared, had become "an advertising billboard for US interests and policies towards the world." He condemned what he described as the "miserable actions and deeds of this international organisation."

Some regional experts see the new tone as a sign that the regime, which is under increasing pressure domestically – reports of coup plots and terrorism abound – is seeking to redeem its authority. Others argue that Mr Saddam feels that, having resisted pressure for more than year, he is in a stronger position to thumb his nose at international opinion. It is possible a combination of these two factors is at work.



Iraqi perversity has been apparent for weeks. Apart from barring the weapons inspectors from the agricultural ministry, Baghdad has:

- Refused to co-operate with a UN commission charged with re-drawing its boundary with Kuwait;
- Objected to the terms for the UN-supervised sale of Iraqi oil to pay for humanitarian supplies;
- Stalled on the renewal of an agreement covering the presence of UN guards and humanitarian groups in Iraq;
- Begun using fixed-wing military aircraft, according to western intelligence, in defiance of the Gulf conflict ceasefire. Iraqi MIG-23s have reportedly flown missions against Shi'ite rebels hiding out in the marshes south of the town of Amara on the Tigris.

Stepped-up military operations against the rebels would tend to support the view that the Iraqi regime is flexing its muscles again, although reports persist of serious morale problems in the higher ranks of the military and of an increasingly beleaguered President Saddam relying even more on his small clan of supporters from his home area of Takrit, north of Baghdad.

There have been frequent reports in the past year of coup attempts, most of them emanating from Iraqi opposition sources living abroad. The most recent attempt, according to Iraqi emigrés, occurred in late June when four Republican Guard officers plotted to blow up the Iraqi leader's car.

The alleged coup plots have coincided with reports of a continuing purge of the military. As many as 200 officers are said to have been stripped of authority and some executed.

However, as recently as last month, US intelligence concluded that the Iraqi leader had strengthened his position in the past year, an embarrassment for the US administration, which is dogged by criticism that it has not done more to get rid of Mr Saddam.

A national intelligence estimate, which represented the combined efforts of various US intelligence agencies, reported that, with the help of Jordan and by using hidden Iraqi reserves, the regime had begun rebuilding its infrastructure. President Saddam had also re-organised his military and his five security services to strengthen control.

Western intelligence has been paying particular attention to ways in which Iraq may be funding imports of goods, including the purchase of military spare parts in contravention of UN ceasefire terms.

But no breakthrough has been reported in the search for Mr Saddam's "billions". Some \$5.5bn of Iraqi assets abroad have been identified and frozen, but a slush fund controlled by the Iraqi leader has not been found and doubts remain whether it exists.

In spite of Iraqi efforts to re-equip its re-organised military, western experts doubt the regime has surprises in store against the surgical bombing strikes that might have been contemplated by the allies.

During the Gulf conflict Iraqi surface-to-air missiles proved ineffective and Scud medium-range missiles aimed at Israel and Saudi Arabia were wildly innaccurate. Kurdish intelligence reports that Iraq is still holding on to some of its Scuds and their launchers, but numbers have been reduced.

Western experts estimate that about 50 per cent of Iraq's ground forces were destroyed. Main battle tanks, ranging from Chieftains to Russian-supplied T-72's were reduced from nearly 6,000 to fewer than 3,000. Numbers of serviceable armoured personnel carriers and artillery pieces were also halved.

The loss of most of Iraq's frontline fighter aircraft, flown to "safety" in neighbouring Iran during the Gulf conflict, has been another blow. These fighters are reportedly being integrated into the Iranian airforce.

Mr Saddam almost certainly recognises that his capacity to resist is almost nil, but this feebleness is not, it seems, being allowed to detract from a political strategy of brinkmanship and defiance.

While the latest crisis has been defused, it is almost certain that there will be further confrontations with the UN and the west. The danger for Mr Saddam and for the region is that he will miscalculate and go beyond the brink.

UNDER PRESSURE: some experts believe Saddam is seeking to redeem his authority

Arab states maintain low profile over confrontation

By Tony Walker

ARAB states have kept relatively quiet over the drama being played out between Iraq, the United Nations and the western powers, with Egypt virtually alone in commenting on the crisis.

In Damascus on Friday, Mr Amr Moussa, Egypt's foreign minister, expressed the hope that the issue could be resolved peacefully and that "we shall not be in need of any escalation".

With the Arab world deeply divided following Iraq's 1990 seizure of Kuwait, it was most unlikely that a common front would have emerged in any case to oppose western military action.

But there is also little doubt that such states as Egypt and Syria, which contributed ground forces to the removal of Iraq from Kuwait, had little enthusiasm for further conflict.

In March this year, when a similar crisis arose over Iraq's tardiness in complying with the Gulf war ceasefire resolution, both Egypt and Syria came out against the use of force.

Not much has changed since then, except that the moderate Arabs, including the Gulf states, will have been discomfited by signs that the Iraqi president is again flexing his muscles, and heaping scorn on pro-western Arab leaders.

Gulf rulers, namely those of Kuwait and perhaps Saudi Arabia, are unlikely to have been as squeamish, however, about some form of military strike against Iraq as their Egyptian and Syrian brethren.

But they wanted to be sure that if action had been taken it would have amounted to something more than a slap on the wrist for Mr Saddam. The spectacle of the Iraqi leader grinning in his Baghdad citadel having survived another allied strike would not have brouht much comfort to jittery Gulf rulers.

The Saudis, for one, would probably prefer the US and its allies to step up their efforts to destabilise the Iraqi regime rather than engaging in a high-profile bombing raid that yields little dividend.

Adding to irritation among Gulf rulers and the Saudis in particular will have been the renewed criticism over the weekend of Saudi oil policy from Mr Abdel Razak al-Hiti, Iraq's oil minister, who charged that the kingdom was squandering millions of dollars a day by overproducing.

The Iraqi official claimed that Saudi Arabia was losing \$3m a day by "deliberately destabilising the international oil market." Kuwaiti overproduction and its depressing effects on oil prices was one of the pretexts cited by Iraq for the August 1990 invasion.

Main UN resolutions

The main UN resolutions following the Iraqi invasion were:

- **660: Invasion of Kuwait condemned and Iraqi withdrawal demanded. August 2.**
- **661: Trade sanctions imposed. August 2.**
- **662: Iraq's annexation of Kuwait declared null and void. August 9.**
- **664: Iraq ordered to allow foreign nationals to leave Iraq and Kuwait. August 18.**
- **666: Shipment of food to Iraq and Kuwait agreed in case of humanitarian need. Sept 13.**
- **670: Air traffic with Iraq and occupied Kuwait prohibited. Sept 25.**
- **678: Kuwait's allies authorised to use all necessary means to uphold and implement Resolution 660 etc. to restore peace and security in the area if Iraq does not withdraw from Kuwait before 15 January, 1991. Nov 29**

Bush in quandary over Baghdad

By George Graham in Washington

THE past week's confrontation between Iraq and the United Nations placed the US administration in a quandary: if President Saddam Hussein did not learn his lesson in the destruction wrought on his army and his nation by Operation Desert Storm, what kind of action would be likely now to force him to comply with the ceasefire terms he grudgingly accepted a year and half ago?

Yesterday's apparent climbdown by Iraq averted any immediate need for military action, but US officials feared that the stand-off at the agriculture ministry in Baghdad – where UN inspectors had been stopped from entering in pursuit of their quest for details of Iraq's programme to build nuclear and chemical weapons – was just one facet of a much broader pattern of Iraqi defiance in recent weeks.

The regime has been razing rebellious Shi'ite villages in the south of the country, damming up the waterways that feed the southern marshes, bombing UN and humanitarian organisations in the north-east, and refusing to co-operate with the UN commission drawing the boundary between Iraq and Kuwait.

"What may be most disturbing is that it seems in the last several weeks there's begun to be a pattern of Iraqi rhetoric reasserting their claim to Kuwait as the 19th province of Iraq, going right back to the original cause of the conflict," said Mr Paul Wolfowitz, defence under-secretary.

Although this broader pattern makes Iraq's defiance harder to ignore, it also widened the range of threats that the US and its coalition partners could plausibly use.

Possible targets for bombing raids range from surviving military factories and communications facilities to the airfields Mr Saddam is using to attack the Shi'ites. US senators have suggested targeting the national electricity grid or Mr Saddam himself.

US officials believe that they will have to keep their target list close to hand, for there are few in Washington who believe that President Saddam will not try his luck again.

Officials fear, moreover, that while limited military action could well force an Iraqi retreat in any particular confrontation, nothing short of the removal of Mr Saddam is likely to bring Baghdad permanently into line.

Pentagon planners have warned President George Bush that they cannot guarantee President Saddam's death or removal without a ground invasion of Iraq in even greater force than that brought to bear for Desert Storm – an option that appears unlikely to be acceptable either internationally or domestically.

Mr Dick Cheney, the defence secretary, said yesterday that Mr Saddam was a legitimate though incidental target as part of the Iraqi chain of command, but that the only way to ensure his capture would be "to send a lot of American troops to downtown Baghdad."

He defended, however, last year's decision not to pursue the Desert Storm campaign all the way to the Iraqi capital.

"The question is how many additional American casualties would you have been willing to accept to get Saddam Hussein? And my answer was then and is now, not very damn many." Mr Cheney said.

Without Mr Saddam's ouster, Iraq remains a political albatross around President Bush's neck. Governor Bill Clinton, the Democratic presidential candidate, has affirmed his complete backing for the president in the confrontation, but misses no opportunity to remind his listeners of the Bush administration's cosy relationship with Mr Saddam right up to Iraq's invasion of Kuwait.

More damaging than these questions about Mr Bush's pre-war Iraqi policy, however, is the image of a president as baffled and powerless as President Jimmy Carter in the face of the Iranian hostage crisis in 1980.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

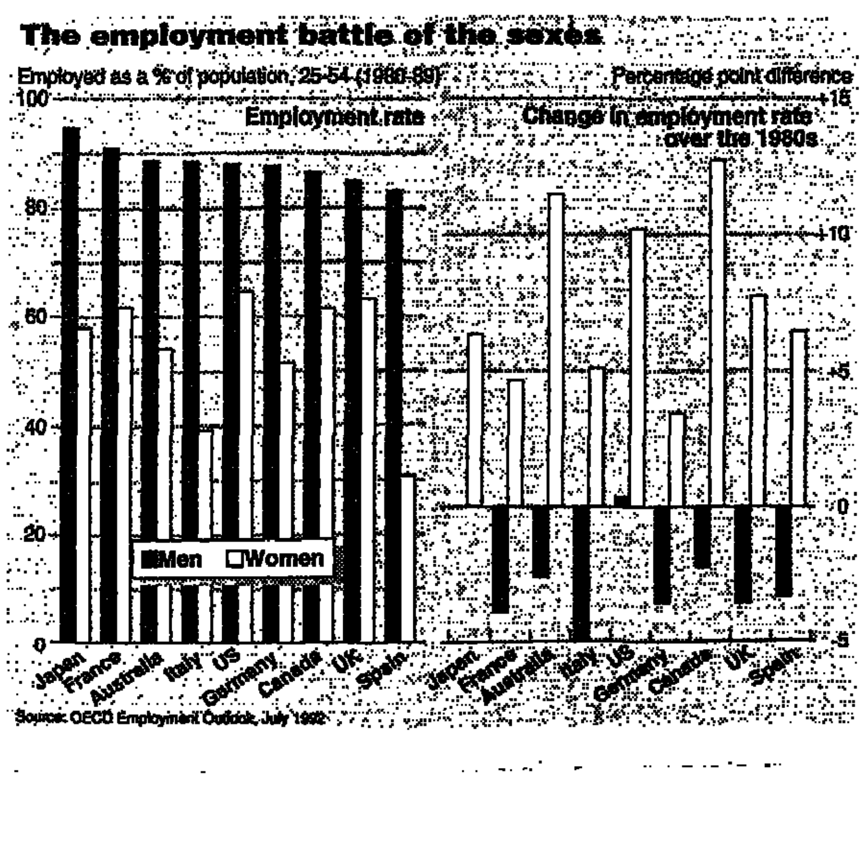
Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	96.6
1986	105.7	101.0	6.9	98.0	108.1	106.5	99.7	2.8	94.3	105.4
1987	108.3	105.9	6.1	105.5	109.9	113.8	103.1	2.9	108.3	115.4
1988	112.2	111.6	5.4	106.1	114.2	122.8	112.9	2.5	135.9	122.8
1989	114.7	114.5	5.2	99.3	113.2	132.8	119.9	2.2	147.0	126.4
1990	114.2	115.7	5.4	84.5	109.1	142.0	125.3	2.1	149.7	124.4
1991	112.0	113.5	6.6	61.9	114.4	145.0	128.1	2.1	144.1	123.4
3rd qtr.1991	−1.4	−2.1	6.7	60.9	112.5	1.0	1.2	2.1	141.6	124.5
4th qtr.1991	−0.5	−0.5	6.9	59.1	114.4	1.9	−1.6	2.1	140.3	123.4
1st qtr.1992	3.5	1.3	7.1	58.9	116.7		−4.6	2.0	133.8	123.5
2nd qtr.1992		1.8								
July 1991	−1.2	−2.1	6.7	61.1	112.0	−0.3	2.1	2.2	149.8	124.1
August	−1.8	−2.3	6.7	60.6	112.1	4.5	0.2	2.1	137.5	124.2
September	−1.2	−2.0	6.7	60.9	112.5	−1.2	1.3	2.1	137.3	124.5
October	−0.8	−1.4	6.8	58.4	112.9	1.6	−1.8	2.1	143.5	124.2
November	−1.3	−0.2	6.8	59.1	113.6	4.1	−1.2	2.1	139.0	123.9
December	0.5	0.2	7.0	59.8	114.4	0.0	−1.8	2.1	138.3	123.4
January 1992	4.9	0.0	7.0	56.3	115.7	0.8	−3.6	2.1	136.9	123.2
February	3.7	1.4	7.2	59.0	116.6	2.1	−4.6	2.0	133.1	123.1
March	2.0	2.5	7.2	61.4	116.7		−5.6	2.0	131.0	123.5
April		2.5	7.1	59.3	117.2		−6.0	2.0	130.6	124.1
May		2.1		60.0	117.7		−8.8			
June		0.8								

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	104.4	100.0	100.0	10.2	100.0	101.9
1986	103.3	102.2	6.4	136.4	104.2	102.4	101.1	10.4	107.2	109.0
1987	107.4	102.5	6.2	149.4	105.3	104.5	103.1	10.5	117.6	108.1
1988	110.6	106.2	6.2	164.7	111.5	107.9	107.3	10.0	134.9	113.3
1989	114.2	111.4	5.6	218.9	114.4	109.6	111.3	9.4	161.1	113.0
1990	123.5	117.2	4.9	261.5	115.2	110.1	112.7	8.9	168.0	107.4
1991	130.8	120.8	4.3	270.9	112.4	109.7	113.3	9.4	130.0	108.2
3rd qtr.1991	0.5	1.9	4.4	276.6	113.2	0.0	−0.5	9.5	132.1	108.8
4th qtr.1991	1.2	0.1	4.3	265.0	112.4	0.2	1.7	9.7	124.0	108.2
1st qtr.1992	−2.9	1.3	4.3	280.6	112.5	−1.2	1.1	9.9	119.2	108.6
2nd qtr.1992				275.7						
July 1991	3.5	3.6	4.4	278.2	113.3	3.2	−0.5	9.5	134.6	108.7
August	−1.9	1.3	4.4	279.1	113.5	−0.8	−0.6	9.5	133.8	108.7
September	0.1	0.7	4.4	272.5	113.2	−2.3	−0.4	9.6	127.8	108.8
October	3.3	0.6	4.3	264.8	112.8	1.4	0.8	9.7	124.2	108.4
November	−0.2	1.7	4.3	262.4	112.4	0.7	1.6	9.7	125.5	108.4
December	0.7	−2.1	4.3	266.5	112.4	−1.5	2.7	9.8	122.6	108.2
January 1992	−1.3	0.2	4.3	273.8	112.3	0.2	0.4	9.8	121.7	108.5
February	−1.7	3.4	4.3	283.6	112.4	3.3	0.5	9.9	118.8	108.8
March	−5.8	0.2	4.4	282.8	112.5	−6.9	2.5	9.9	117.2	108.6
April	−1.8	−0.2	4.5	280.4	112.0	2.6	1.2	10.0	104.9	108.1
May	−3.0	1.2		275.5	111.8		−0.4		102.8	107.8
June				271.4						

	ITALY				UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	9.6	103.9	100.0	100.0	11.2	100.0	102.1
1986	108.0	104.1	10.5	110.8	105.2	102.4	11.2	116.1	105.2
1987	113.9	108.8	10.9	113.0	110.7	105.7	10.3	141.2	109.5
1988	109.8	114.2	10.9	118.0	117.7	109.5	8.6	144.3	108.0
1989	118.4	118.7	10.9	116.3	119.8	109.9	7.1	124.7	105.2
1990	115.0	118.0	10.3	112.6	120.4	109.3	6.8	97.9	103.7
1991		115.4	9.8	114.9	119.5	106.0	8.9	68.7	108.3
3rd qtr.1991	0.9	−3.7	9.6	114.4	−0.5	−2.2	9.4	61.9	108.6
4th qtr.1991		−0.7	9.9	114.9	0.4	−0.8	9.7	66.4	108.3
1st qtr.1992		−0.3	9.9	114.6	−0.4	−1.2	10.2	73.6	109.3
2nd qtr.1992					1.3			67.7	
1991 July	3.7	−2.3	n.a.	114.1	−0.6	−2.0	9.2	60.9	107.2
August	1.6	−6.6	n.a.	114.4	−0.2	−2.8	9.4	62.4	107.9
September	−2.6	−2.2	n.a.	114.4	−0.7	−2.0	9.5	62.3	108.6
October		−1.5	n.a.	114.4	−0.1	−1.7	9.6	61.1	108.9
November		1.1	n.a.	114.6	1.6	−0.6	9.7	64.8	108.6
December		−1.7	n.a.	114.9	−0.4	−0.3	9.9	73.2	108.3
1992 January		−1.4	n.a.	114.4	0.8	−1.0	10.1	72.1	108.1
February		0.3	n.a.	114.1	1.3	−1.0	10.2	73.4	108.8
March		0.3	n.a.	114.6	−3.2	−1.7	10.2	75.3	109.3
April		0.4	n.a.	114.8	1.3	1.2	10.4	70.6	110.3
May			n.a.		2.2	0.5		67.7	111.3
June					0.4			64.7	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.



Working women and the rise of the house-husband

ECONOMISTS tend both to be men and to study the economic activity of men. The employment behaviour of women has been highly unstable both over time and across countries, so male unemployment rates are more reliable for tracking changes in the economy at large. Yet this practice, however justified, may be obscuring the sexual revolution that has occurred across the developed world over the past decade.

Changes in male unemployment rates do provide a better guide to the degree of tightness or slack in the economy at large. Female unemployment rates, compiled by governments, usually contain little information because many job-hunting women are not eligible for unemployment benefits and are therefore not counted as unemployed. In Britain, the headline female unemployment published monthly by the government tends to be three or more percentage points lower than that compiled by the OECD from survey evidence.

Even the survey-based female unemployment rates are misleading. When vacancies are low, women without jobs tend to work in the home rather than spend time searching for employment. Rather than be counted as unemployed, women are more likely to be classified as "economically inactive", especially in recessions.

Yet these observations merely highlight the deficiencies of unemployment rates as measures of joblessness in developed economies. The OECD, in its lastest Employment Outlook, has investigated the pattern of non-employment rates – the percentage of the population without jobs – in developed countries. It confirms that male non-employment rates have grown faster than unemployment rates everywhere, especially among 55-64 year olds.

Yet this rising trend of male inactivity has been more than matched by increased employment of women. The left-hand charts compares the percentage of men and women that had jobs on average across the 1980s. It covers the 25-54 age group only to avoid complications caused by education or early retirement.

Male employment rates are universally higher than female employment rates. But, roughly speaking, those countries with lower male employment rates have higher female employment rates. The US, for example, has a male non-employment problem at least as serious as in the main European countries. But the US also has the highest rate of female employment, followed closely by the UK and Canada.

Women are catching up fast. Female employment rates rose in every country between the beginning and the end of the decade, while the male employment rate fell everywhere except in the US and Japan. Again, the rise in female employment was relatively rapid in those countries where the male employment rate was lower: the US, UK and Canada. Female employment also rose rapidly in Australia.

Why, when the fall in male employment has been universal, has the rise in female employment occurred more rapidly outside continental Europe? One reason is that Anglo-Saxon deregulated labour markets have done better at job creation. In these countries, demise of heavy industrial, highly paid, "good jobs" has been more than offset by the growth of less well paid, often part-time, employment in the service sector. The share of part-time employment in total UK employment was 21.8 per cent in 1990, up from 16.4 per cent in 1979. The US part-time share was 16.9 per cent in 1990, compared to 12 per cent in France and 5.7 per cent in Italy.

Women have proved to be both cheap and flexible relative to men. They take the bulk of these part-time jobs – 87 per cent in Britain, 78 per cent in Australia, 68 per cent in the US – and often at lower wages than men would command. Part-time female workers are more likely to have children; and while single women tend to earn at least 90 per cent of the hourly wage paid to single men, married women earn much less: 69 per cent in Australia and 59 per cent in the US and UK. Wage equality between men and women remains a distant goal; but an equal sharing of paid and household work is not so far away.

Edward Balls

Barcelona '92 Olympic Games.

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This is where Barcelona is, in Catalonia, a country in Spain with its own culture, language and identity.

A country with a population of only six million people, which has experienced a growth which has made it one of the motors of Europe.

A country in which many foreign enterprises —European, North American, Japanese— have invested and are still heavily investing.

A country which has understood and motivated the genius of Picasso, the force of Miró, the imagination of Dalí, the innovative approach of Tàpies, the art of Montserrat Caballé and Josep Carreras, the mastery of Pau Casals, the daring of Gaudí...

A country which is visited every year by 16 million people from all over the world for its climate and its unique tourist, sports and cultural facilities.

A country with the know-how to get the Olympic Games for its capital, Barcelona.

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GENERALITAT DE CATALUNYA

AUTONOMOUS GOVERNMENT OF CATALONIA

Support grows for scandal-hit minister

By David Owen

THE UK GOVERNMENT yesterday signalled its determination not to be rushed by the Mellor affair into taking action to curb press freedom, saying it would await the publication of a new report by Sir David Calcutt in the autumn before deciding how to act.

The message came as the position of Mr David Mellor, the national heritage secretary who is fighting to save his career in the wake of revelations about his private life, appeared to be marginally strengthened by the findings of two opinion polls.

One survey of 100 Tory backbenchers, published in the Mail on Sunday newspaper, indicated that 54 of those questioned believed that Mr Mellor should retain his post, compared with 26 who felt he should resign and 20 who refused comment.

A Gallup poll of the general public commissioned by the Sunday Telegraph newspaper put support for Mr Mellor at 62 per cent and at 64 per cent among women. Just over half of those sampled favoured legislation to restrict press intrusion, with 38 per cent opposing it.

Prime minister John Major, who has consistently supported his close friend through the past week's tribulations, is said to retain an open mind on the need for fresh press controls. He is said to be keen to protect personal privacy without eroding press freedom.

An interview with Mr Mellor was broadcast by the BBC as part of its popular Desert Island Discs series in which guests pick their eight favourite records with which to be stranded on a desert island. The interview was recorded before the disclosures about his alleged relationship with a 31-year-old actress.

Mr Mellor expressed the view that contemporary politics was a "very high pressure" profession, adding that the "biggest kick" it had afforded him was "to increase my majority at the last election."

TUNNEL VISION: The first Eurotunnel HGV carriers pictured being delivered at Dover dockyard. The carriers, made by Breda Fiat of Italy, are designed to house a single vehicle during freight shuttle train services through the Channel tunnel. When Eurotunnel opens Le Shuttle services next year it plans 28 carriers on each train, carrying up to 44 tonnes each.

Package travel code attacked

By Michael Skapinker, Leisure Industries Correspondent

GOVERNMENT proposals for the regulation of package travel will not prevent a repetition of last Friday's collapse of the Land Travel coach company which resulted in 50,000 people losing money on holiday bookings, the opposition Labour Party and industry officials said yesterday.

Their comments came as 2,500 Land Travel customers continued over the weekend to make their way back to the UK from the Continent.

Mr Nigel Griffiths, Labour's consumer affairs spokesman, said he would seek a meeting with today to ask why the Department of Trade and Industry had taken no action against Land Travel when the Bath-based company's difficulties had been known in the travel trade for eight weeks.

He was supported by Mr John Dunscombe, chief executive of the Association of British Travel Agents (Abta), who said that while several aspects of the government's proposals were welcome, they would not prevent customers from losing money in future travel company collapses.

The government has proposed a central reserve fund to compensate package holiday customers travelling by land or sea. Companies selling charter flight packages are already required to obtain a licence from the Civil Aviation Authority and to arrange a bond to compensate customers in case of collapse. The bonds are backed up by the Air Travel Trust Fund, administered by the CAA.

Many providers of land and sea packages already have bonds arranged through Abta or other trade bodies. Abta is disappointed that the government does not plan to insist that all companies taking holidaymakers abroad subscribe to the reserve fund.

Package tour providers outside the central fund will still have to obtain insurance or open a designated account to ensure the return of pre-payments and the repatriation of holidaymakers. But this will be monitored by local trading standards officers and Mr Dunscombe questioned whether they would have the time or experience to evaluate the effectiveness of these arrangements.

Building contractors drop prices by up to 30%

By Andrew Taylor, Construction Correspondent

PRICES CHARGED by contractors for construction work in Britain have fallen by up to 30 per cent since 1989, according to a straw poll of contractors, customers and building professionals conducted by the Financial Times.

The findings emphasise the depth of the recession, which contractors say is the worst for more than half a century and which has caused a large number of company failures.

Many contractors, desperate for cash from advance payments, have been taking work at zero margin or even at a loss, according to the industry.

E C Harris, a firm of international cost consultants which prepared a study of construction tender prices for the Financial Times, estimates building prices in London have fallen 22 per cent since the second quarter of 1989.

Margins are at rock bottom in many parts of the country as contractors try to move into new areas to offset the decline in private-sector office building.

The transport department estimates that national prices for motorway and trunk road construction have fallen by about 20 per cent since 1989. Anglian Water, the privatised water company and another large customer of the construction industry, estimates that building prices have fallen 30 per cent in two years.

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'Someone even swore at the chairman...'

Michael Cassell on people who work at Lloyd's, where the extraordinary meeting demanded by Names is to be held today

BARRY McDONNELL, touching seven feet tall in his black and gold top hat, hurries from the sentry box outside Lloyd's of London to usher his chairman's Daimler into the lunchtime traffic.

Mr McDonnell, a liveried waiter, stands sentinel in Lime Street to the world's oldest insurance market. A man of unfashionable servility, who pockets £6 extra for candlelit functions in the 11th floor dining room, he fiercely defends the 300-year-old institution housed behind him in a stainless steel and translucent glass tower and which daily sucks in £30m of insurance premiums.

Mr McDonnell strikes a realistic note. "Things have been very difficult, sir," he explains. "There is tension in the air. Someone even swore at the chairman on his way out after the annual meeting. I had to remind him that, whatever has happened, we are all still gentlemen here."

Good manners, along with the guiding principle of utmost good faith which has endured since marine insurance began in a Tower Street coffee house, are being tested to breaking point at Lloyd's.

The announcement of losses of £2bn during 1989 follows an unprecedented run of natural and man-made disasters. Now the most reputable, rock-solid society of underwriters is enduring its own brush with catastrophe.

On the 11th floor, with its incongruous chandeliered Adam Room, members of the governing council today face an extraordinary general meeting and votes of no confidence. Some have received hate-mail and abusive telephone calls.

The spectacular calling to account of those who staked their all on the promise of profit – but now live with the stomach-churning reality of unlimited personal liability – has taken a heavy toll.

Ford Orions are said to have replaced Ferraris. Cries of "Bankrupt!" slip as easily off the tongue as the fresh Galway Bay oysters that used to start a lunch at Wheeler's.

The preamble to the Insurance Act passed during the reign of Elizabeth I laid down that after catastrophe *"there followeth not the undoing of any man but the loss lighteth rather easily upon many than heavilie upon fewe . . ."*.

"Undoing" there has been. Accusations of incompetence and betrayal are poised to lead into what one wounded soul has dubbed "the slurry pit of legislation".

Many Names have fled the market – some to face ruin. More than 6,000 have gone in 18 months and more will follow, leaving behind unproven allegations that working Names with inside knowledge sacrificed outside Names to save their own skins.

'We are all barrow boys in pin-striped suits who like making money'
David Rowland
Sedgwick chairman

'Things have been very difficult, sir... whatever has happened, we are all still gentlemen here'
Barry McDonnell
Lloyd's doorman

Not surprisingly, the members' agents responsible for entry into the club say enquiries from prospective Names are down to a dribble.

"Insurance is supposed to be dead boring. But this lot are straight out of a disaster movie", laughs Sam Niblock, a streetwise sandwich maker, waving at the lunchtime crowd spilling on to the pavement outside the Lamb Tavern in Leadenhall Market.

Underwriters and brokers, who live or die by each other's efforts, mingle with aspiring assistants to sip spritzers under the Victorian street market's ironwork canopy. They swap gossip – part of the broth of the insurance business since the 17th century.

Mark Bowen, a bank clerk turned broker who specialises in big construction projects, has just had a quick cappucino at the Croissant Express with a deputy underwriter. They will meet later at Lloyd's when a stamp and signature on Bowen's slip will seal a promise binding in honour, if not necessarily in law.

Nathan Philips, whose plummy tones hint at youthful privilege, says his priority is to complete professional indemnity cover for a Hong Kong structural engineering business. Clutching his "Sushi de luxe" lunch box, he complains: "It's proving tricky. You'd think the Chinese had already marched in."

Though they may not all approve of the comparison, those at Lloyd's have much in common with the crew at Linwood's, the local fishmonger, or at Booths, the florist which delivers flowers or fluffy bears carrying messages.

In the words of David Rowland, chairman of international broker Sedgwick and leader of the recent investigation into Lloyd's governance: "We are all barrow boys in pin-striped suits who like making money."

The Lime Street insurance market does not flog flounder or freesias and its traders wear Gieves & Hawkes suits and Gucci loafers rather than rubber gloves or aprons. Shirt sleeves or short skirts inside the famous underwriting room may even bring reprimands from a discreet waiter. But it is, for all that, little more than a marble-floored bazaar in which the highest risk is touted for the lowest fee.

If your client seeks protection from war risks, head for Stephen Merrett's underwriting box; don't forget George Lloyd-Roberts if insuring babies against illness; call on Danny Chappell if you want cover for a $1m racehorse that might go berserk.

It is Lloyd's readiness to consider the unusual, encouraged by its individualistic heritage, that adds piquancy to its public image. Beside insurance terms of "long tail", "short tail" and "excess-of-loss" stand less traditional alternatives such as "Samurai" cover – "so bloody risky you deserve to have your head cut off".

Whether it is film stars' legs, wine tasters' palates or rock star's voices – Lloyd's will usually oblige. Fish can be insured against drowning and

Trevor Humphries
Old meets new: Barry McDonnell in traditional livery outside the Lloyd's building

satellites against wandering off into the wide black yonder.

But in spite of its openness for diversity, the recent contraction in the market, aided by imploding syndicates and shot-gun mergers, means the number of syndicates is down to 279 – nearly 100 fewer than last year. There is the more vacant trading space than at any time since the present building opened in 1986. Rents, which can reach £20,000 a year for a modest perch, might fall.

Earnings have fallen for the underwriters after being stoked in the 1980s by big commissions and syndicate fees. But many still earn well over £100,000 a year.

Most brokers remain salary slaves, but high-rollers can strike deals which include a share of the action. A few are said to have broken the £1m barrier.

Julian Messent, a geology graduate who decided to become a broker after a boozy night in the Duke's Head, Putney, is looking for $400m cover on a Chilean copper and gold mine. A Latin American property expert with Alexander Howden, he has researched his risk well and lined up a lead signature. He wants Jeremy Austen, underwriter at F.R. White, to add his stamp.

The two regularly play squash but the negotiation is strictly business. Mr Austen signs a line and Mr Messent makes for Mark Donald at syndicate 33, a shaker-and-mover who has made a name as an expert in issues relating to property, sabotage and terrorism.

Peter Tritton, a colleague of Mr Messent, sums up the bargaining process: "It's all about peer respect, gut feelings, intuition and accurate intelligence.

"If someone lies in here . . . news goes from one corner of the building to the other in a flash. If you get found out, your credibility is shot."

But Lloyd's credibility is at stake, having found itself sucked into the maelstrom of the "anything goes" economy of the 1980s.

Paul Barnes, a would-be painter turned non-marine underwriter, scans a $25m claim for snow damage from the Israeli Flower Board before reflecting on what has gone wrong at Lloyd's. He has a saying, "volume is vanity, profit is sanity" to sum up his view of a market that took its eye off its prime duty to secure profitable business for its Names in favour of winning premium income.

A senior broker at Fenchurch Group comments: "It was the mood of the times. Too many underwriters threw caution to the wind. They were doing things they did not really understand."

What they did understand, and lap up, was the wave of entertainment that oiled the wheels of a booming business.

"It's amazing how many underwriters got a suite in one or more of the luxury hotels they agreed to insure," says Phil Guthrie, a non-marine broker who admits to his own share of treats from clients.

Now, more modest hospitality prevails: "It's back to football tickets for a while," Mr Guthrie grins.

Dave Burling, the casualty loss-book clerk whose quill pen commits lost Cuban barges and Irish fish factories to the book that once recorded the Titanic and the Torrey Canyon, has seen "a real sifting out" among brokers and underwriters.

Danny Chappell, an unstuffy underwriter whose mum worked for a broker, is putting his name to a $2.5m all-risks policy on Dr Devious, this year's Derby winner. He gives his views on some of the new breed of people around him.

"It used to take years to work your way up through the ranks. Now, they arrive out of the blue, set up their stall and they're away. It's not surprising if some have come unstuck."

"It's the survival of the fittest," chips in his assistant, clutching lurid pictures of American cows allegedly struck by lightning.

Those running Lloyd's say they do not doubt that it will survive.

Better self-regulation is promised although old-timers warn that it will destroy Lloyd's individualistic heritage and raise costs.

David Coleridge, chairman of Lloyd's, traced the fault line when he told members last month that the dash for business had sapped market disciplines and standards.

The finger of suspicion inevitably points first at the ambitious young men and women who did not do their homework. Many of them have already paid with their jobs.

Some of the older hands were not impressed with the newcomers and stuck to the practices they knew best. Others tried to keep up with the pacemakers and became players in areas of which they had little or no experience.

Yet, to the casual observer, the depth and breadth of experience held collectively by those who make up the Lloyd's market remains impressive when set against the skills and competence employed in other professional marketplaces. When a broker and underwriter discuss cover for a South African goldmine there is still a fair chance they have both been down it.

While Lloyd's tries to regain its footing, the job of re-establishing its reputation continues. In the claim office, housed in the old Lloyd's Room across the street, Bob Moore and his team work on to demonstrate that, whatever the problems, payout calls are promptly met.

But if the money is still flowing out, people such as Keith Leonard, managing director of R.W. Sturge, one of the Sturge members' agencies, are doing their damndest to keep it coming in. A cheque for £190,000 has just arrived.

Mr Leonard, who has a six-figure sum to find, also gets daily letters of resignation from Names. "There's no sense to it," he rails, "they are pulling out at the bottom of the worst cycle and will miss the upturn."

Back in the Room, Paul Barnes muses on risks attached to a sewer back-up in Saskatchewan and ponders on a critical time for a great British institution.

"We've all got one last shot to get to the promised land,"he says. "Blow it and God knows where we'll all end up."

Paisley demand clouds Ulster talks

By David Owen

TENSIONS between participants in the adjourned talks on Northern Ireland's political future appeared to be mounting yesterday after the Reverend Ian Paisley, Democratic Unionist leader, warned that the talks would fail if the Irish Republic did not agree to drop its territorial claims to the province.

The mainly Roman Catholic Social Democratic and Labour party said Mr Paisley's remarks were "not encouraging". His attempts to turn the abandonment of the Republic's constitutional claim over the province into a pre-condition for continuing the talks conflicted with the principal accepted by participants that nothing would be agreed formally as long as any issue was still outstanding.

Mr Paisley challenged Dublin to remove two articles in the Republic's constitution. "If they continue to say 'no, we have a claim over you'.. then they will have brought the talks to an end," he said.

In a fresh move, the Democratic Unionists intend to use the five-week summer recess in the talks to send other participants a "shopping-list" of "problems" that the party has with their respective positions and would want them to address.

"Strand two" talks between leaders of political parties in Northern Ireland and the British and Irish governments adjourned on Friday with an invitation to participants to "prepare papers to assist the progress of deliberations following the recess".

When they reconvene on September 2, the hard bargaining – if there is to be hard bargaining – will need to begin, building on this month's preliminaries where participants set out their starting positions.

The new timetable was facilitated by an agreement to put back until the week beginning September 28, the earliest date on which the next meeting of the Anglo-Irish Conference would take place.

Meanwhile, a meeting between the British and Irish governments in Dublin this week will mark the start of "strand three" – a new phase in the complex talks structure.

This is regarded as particularly significant by Unionists as the 1985 Anglo-Irish Agreement, which they oppose because of the role it gives Dublin, will be on the negotiating table.

Concern at bids for EC funds

By Neil Buckley

BRITISH businesses are failing to take advantage of sizeable benefits they might be elegible for from the European Commission's Thermie programme, which provides EC funding for energy conservation projects, according to the Association for the Conservation of Energy.

Mr Andrew Warren, director of the association, which represents a number of companies active in the energy conservation industry, told a conference this weekend that insufficient British bids were being made for funds.

The UK had received only 12 per cent and 10 per cent of the available budget for energy saving and for renewable energy projects respectively, when its rightful share should be around 18 per cent.

The EC is today launching a leaflet designed to explain to businesses how they can benefit from Thermie.

Funding of up to 40 per cent can be awarded to projects involving a first application of new processes or products on a sufficiently large scale.

Mr Warren said the programme was due in 1993 to enter a new phase, concentrating on technologies to reduce emissions of carbon dioxide and sulphur dioxide. It was vital that British businesses bid for as much as possible of the £250m available in 1993 and 1994.

Tipping the scales: boatowner Eddie Grey and deckhand Eddie Williams on The Supreme, the last coble fishing out of Craster

Fishermen drift towards a net loss

THE ANCIENT tradition of drift-net fishing for salmon and sea trout off England's north east coast would be phased out under proposals published by the National Rivers Authority, Chris Tighe writes.

Around 400 fishermen using little wooden cobles, reminiscent of Viking longboats, depend on salmon drift netting for their livelihood in the spring and summer.

The Ministry of Agriculture Fisheries and Food invited the authority to draw up plans to phase out the 143 drift net salmon licences between Holy Island in Northumberland and the Humber following claims from Scottish and English riparian owners and anglers that drift netting is depleting river salmon stocks.

The ministry said there was no evidence it posed immediate threat to stocks but suggested they could be better managed if the netting were ended.

Critics describe the 600-yard long monofilament drift nets which are played out across the tide as "curtains of death". The fishermen, who deny they are responsible for the decline in salmon stocks, liken their nets to "a pair of shoe laces in Wembley stadium".

Under the authority plan, licences would be reduced as netsmen leave the fishery, resulting in a halving of drift netting activity over 10 years and its phasing out over about 30 years. Last year about 30,000 salmon, and a similar number of sea trout, were drift netted off the north-east coast.

The fishermen are now considering whether to object to the proposals, a move which would force a public inquiry.

Car trade warns over tax proposals

By John Griffiths

MOTOR TRADE leaders fear Inland Revenue proposals to be published this week on taxation of company cars could delay a recovery in the UK fleet market until next year.

Fleet operators are worried by indications that the document will include an undesirably long and detailed consultation process.

Mr Stewart Whyte of the Association of Car Fleet Operators said: "We need to know what the final formula is to be at the earliest date possible."

Some fleet executives believe that if the consultation takes several months, carmakers already suffering from severely depressed sales could be affected for even longer.

"If the consultation process were to run up to December, there would almost certainly be hardly any fleet sales right through the first quarter of next year as well," said Mr Whyte.

"Business car buyers, having been deterred from making purchase decisions until the tax formula was thrashed out, would then be highly likely to put off buying for a few more months, figuring that they might as well wait until they know what's in the next Budget as well", said Mr Whyte.

The document has already caused concern within the industry because it is understood to propose retaining a car-price banding system for assessing tax liability – albeit a more sophisticated one than at present.

The latter has been heavily criticised for failing to discriminate between essential and "perk" car users, as well as placing some carmakers at a disadvantage.

Under the present system, the amount of tax payable by a company car user on the benefit of the private use of his or her case is calculated according to a scale involving engine capacity, age, purchase price and business mileage.

Team briefing has 'little effect on commitment'

By David Goodhart, Labour Editor

EMPLOYEE-involvement initiatives such as team briefings and company newspapers appear to have little effect on the commitment of employees or their understanding of management decisions, according to research sponsored by the government.

The investigation of employee-involvement schemes in 25 companies was conducted by the Manchester School of Management and took nearly two years. The results were said by the Department of Employment to show that most workers welcome involvement schemes.

But the report also includes some less encouraging findings. A survey of 700 employees in 18 of the organisations found that 81 per cent of respondents thought team briefings either left unchanged (77 per cent) or decreased (4 per cent) their commitment to the organisation.

The report also notes a sceptical attitude to the employee-involvement philosophy among middle managers and supervisors.

At one chemical company, supervisors described employee-involvement initiatives as "long-haired, idealistic views of workers", as "soft" management, or as "eulogising the workforce".

Seventy-one per cent of the employees in the survey said there was either no change (66 per cent) or a decrease (5 per cent) in their understanding of management decisions as a result of team briefings. Sixty-five per cent said that team briefings did not lead to greater management openness and 8 per cent said it decreased openness.

Fifty-nine per cent said team briefings did increase their information about the company but 41 per cent said there was either no change or an actual decrease in information.

In spite of the widespread introduction of team briefings, house journals, total quality management, customer care initiatives and joint consultative committees in the 25 companies during the 1980s, only 49 per cent of respondents felt that communication had improved.

Twenty-six per cent said it was about the same and 25 per cent said it was either worse or much worse.

The report tried but failed to establish any relationship between employee involvement and overall corporate performance. It suggests that it may be better corporate performance that facilitates employee involvement rather than the other way round.

New Developments in Employee Involvement. Research Management Branch, Employment Department, Moorfoot, Sheffield S1 4PQ. Free.

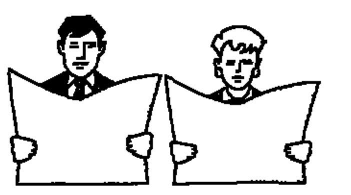
Study eases VDU fear

FEARS that pregnant women working with visual display units are at increased risk of miscarrying have been eased by research sponsored mainly by the Health and Safety Executive, Lisa Wood writes.

The research, the first of its kind to be carried out in Britain and which involved studying the conditions affecting 450 pregnant women, is to be published in this month's issue of the British Journal of Industrial Medicine.

Dr Colin Mackay of the HSE said: "It shows that pregnant women who work, even habitually, at VDUs are not at increased risk of miscarriage."

Dr Eve Roman, who led the study, said: "We found it made no difference whether a woman worked on a VDU as part of her general day, whether she used it occasionally or whether her only contact with a VDU was that it happened to be in the same room."



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PUBLIC NOTICES

THE WEEK AHEAD

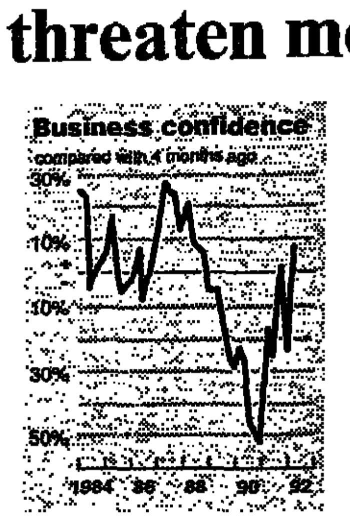
ECONOMICS

CBI data threaten more gloom

WITH few sensitive figures out in the UK, this week could see some reprieve from last week's financial jitters. But the Confederation of British Industry's quarterly industrial trends survey is likely to add to mounting gloom over the economy. The last survey was optimistic about prospects for manufacturers later this year, with business optimism showing its biggest jump in four years. Another jump would be a welcome signal but movements in the optimism index have been jagged over the past few months and seasonal factors could adversely affect the latest results.

Most of the activity this week is in the US. On Thursday, GDP figures are expected to show that the US recovery struggled to keep going in the second quarter. The forecast is for growth of 1.7 per cent, almost a full percentage point lower than growth in the first quarter. Consumer confidence is also expected to have declined this month, in spite of the Federal Reserve's discount rate cut three weeks ago. Since the beginning of the year, the consumer confidence index has *jumped from 50.2 per cent to* 71.1 per cent in June. Most of the increase was between January and April, since when it has shown little change.

Here are some of the other economic highlights. The figures in brackets, from MMS International, are the median of economists' forecasts.



Today: US, June existing home sales, housing vacancies for the second quarter; Japan, June retail sales (down 0.7 per cent on the year).

Tomorrow: UK, CBI quarterly industrial trends survey; US, employment cost index second quarter (up 0.8 per cent on quarter), July consumer confidence (70 per cent); Japan, June industrial production (up 1 per cent), service price index second quarter.

Wednesday: Australia, consumer prices second quarter (flat on previous quarter, up 1.5 per cent on year), Canada, June industrial production price index (up 0.1 per cent).

Thursday: US, advance GDP second quarter (up 1.8 per cent), advance GDP deflator (up 3 per cent), initial unemployment claims for w/e July 18 (410,000), June new home sales (522,000), export price index, import price index, money supply data for w/e July 20; Australia, June building appropriations (up 3 per cent), June current account (A$1bn loss seasonally adjusted).

Friday: US, June personal income (flat), personal consumption expenditure (up 0.4 per cent), June factory goods orders (up 0.8 per cent), July Chicago national association of purchasing managers index, July Michigan sentiment index, July agricultural prices; Japan, July Tokyo consumer prices index (up 2.2 per cent on year) excluding perishables (up 2.4 per cent), June CPI Nation (up 2.3 per cent on year) excluding perishables (up 2.5 per cent), June construction orders, housing starts (up 1.7 per cent on year) and construction starts; Canada, May real GDP at factor cost (up 0.1 per cent), May building permits (down 1.3 per cent).

During the week: Germany, July cost of living (up 0.2 per cent on month, up 3.5 per cent on year), June import prices (down 0.2 per cent on month, down 2.8 per cent on year); France, June unemployment rate (10 per cent); Japan, June trade balance, current account and foreign bond investment.

Emma Tucker

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Acatos & Hutcheson 2.5p
Bank of Montreal Fltg. Rate Debs.1998 $217.39
British Airports Finance Fltg. Rate. Gtd. Nts. 1998 Y231514
Commonwealth Bank of Australia Gtd. Fltg. Rate Nts. 1998 $240.14
Compass 4.18p
De La Rue 11.5p
General Electric Co. 30.55
Grainger Tst. 1.2p
Johnson & Firth Brown 1p
Saint-Gobain FFr21.75
600 Group 1.5p
Telefonica de Espana Pts34
Unigate 9.6p

■ TOMORROW
Commonwealth of Australia 13½pc Ln 2010 £6.75
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1995 £268.06
Camellia 16p
Canadian Imperial Bank of Commerce C$0.33
Canadian Pacific C$0.08
Do. 4pc Pf. C$0.02
Do. 4pc Pf. Sterling 0.666667p
Do. 4pc Pf. (Int. Trans.) Sterling 0.666667p
Chartwell 0.4p
FCT 4.5p
Treasury 8½pc Ln 2000 £4.25

■ WEDNESDAY JULY 29
Bank of Nova Scotia C$0.28
Cater Allen 20p
Erskine House 4.35p
Furukawa Electric 6pc nts. 1996 Y161,667
General Motors Accept Corp. Canada Fltg. Rate Nts. Nov. 1996 C$457.81
Gold Fields of South Africa R1.45
Korea Liberalisation Fd. $0.0691
Stoddard Sekers Intl. 1.875p

■ THURSDAY JULY 30
Bass 5.25p
BSS 11.5p
Canadian Imperial Bank of Commerce Fltg. Rate Debs. 2084 $230.66
Dow Chemical $0.65
Helene 1.26p
Nationwide Bldg. Soc. 3⅞pc I-L 2021 £2.739
Shanks & McEwan 3.44p

■ FRIDAY JULY 31
Aegis 55pc Cnv. Prf. 1999 2.75p
Airflow Streamlines 10pc Prf. 5p
Airsprung 4.87p
Allied-Lyons 13.35p
A.M.P. 11½pc Bds. 2001 £115
Assoc. Fisheries 8¼pc Ln 1991/96 £4.125
Bank of Nova Scotia Fltg. Rate Debs. 2000 £269.59
Beattie (James) 6pc Prf. 2.1p
Beazer 8½pc Cnv. Ln. 2000 £4.25
Bentalls 5 1/2 pc Prf. 1.925p
BP America 10⅞pc Gtd. Bds. C$108.75
Bristol & West Building Society Fltg. Rate Notes 1993 £263.39
Britannia Bldg. Soc. 13pc Und. Sub. Nts. £99.27
British A'rways A.D.R. $1.7182
British Dredging 8pc Ln. 93/98 £4
Brit. Petroleum 8pc 1st Prf. 2.8p
Do. 9pc 2nd Prf. 3.15p
Brown (N) 4.25p
Burton 1p
Chamberlin & Hill 4.25p
Chase Manhattan O'seas. Banking Fltg. Rate Nts. 1993 $26.54
Chemical Banking Fltg. Rate Senior Nts. 1999 $45.21
Chemring 10.9p
Citicorp Banking Gtd. Fltg. Rate Subord. Cap. Notes 30/10/96 $134.17
Do. Gtd. Fltg. Rate Subord. Cap. Notes 30/1/97 $134.17
CML Microsystems 3.7p
Cranswick 5.2p
Daiwa Intl Finance Sub. Fltg. Rate Nts. 2001 $1130.83
Dartmoor Inv. Tst. 3.9p
Dewhirst 9.75pc Prf. 4.875p
Dixons 5p (Net) Div. Cnv. Prf. 2.5p
Dunedin Income Growth Trust 11.5pc Deb. 2016 £5.75
Eldridge, Pope & Co. A 1.51p
English & Scottish Investors 11pc Deb. 2014 £5.50
Falcon Mines NZ$0.20
Finsbury Smaller Co's Tst. 1p
First Natl. Finance 6.3pc Cnv. Prf. 3.15p
Fitzwilton Units Ir£1.3148p
Fleming Japanese Inv. Trust 5pc Prf. 1.75p
Granada Cnv. Prf. 3.75p
Guaranteed Export Finance Gtd. Fltg. Rate Nts. 1995 £404.21
Guildhall Property 6⅞pc 1st Mort. Deb. 90/95 £3.4375
Halifax Building Society Fltg. Rate Loan Notes 1996 (Series A) £43.48
Hanson 9½pc Cv. Sub. 2006 £47.50
Hapoalim Ind. Gtd. Fltg. Rate Nts. 2000 $224.34
Hartstone 3p
Haslemere Estates 10½pc 1st Mort. Deb. 2016 £5.25
Heath (C.E.) 18.375p
Hopkinsons 2.5p
Do. 5¼pc Pf. 2.625p
House of Fraser 6pc Ln. 93/98 £3
Do. 8¼pc Ln. 93/98 £4.125
Iceland (Republic Of) 14½pc Ln. 2016 £7.25
IFG Group Ir1.06p
INVESCO MIM 9pc Cnv. Ln. 95/2000 £4.50
Jarvis Porter 3p
Land Securities 10pc 1st Mort. Deb. 2030 £5
Leeds & Holbeck Bldg. Soc. 13⅝pc Und. Sub. Nts. £42.51
Lewis (John) Props. 9¼pc Mtg. Deb. 92/97 £4.625
Liberty 6pc Prf. 2.1p
Do. 9.5pc Prf. 4.75p
Lowe's Companies 7cts
Lynton Prop. Reversionary 10¼pc 1st Mtg. Deb. 2017 £5.125
Macallan-Glenlivet 7pc Prf. 3.5p
Macdonald Martin Distilleries A 6.8p
Do. B 3.3p
Malaysia 10¾pc Ln. 2009 £5.375
Marley 6½pc Prf. 2.275p
McKechnie 6pc Prf. 2.1p
Mexico Fd. $25.48
Murray Enterprise 3.5514p
Murray Income Tst. 2.2p
Murray Ventures 11.1pc Deb. 91/96 5.55p
National Westminster Bank Var Rate Cap. Nts. 2000 $1207.50
Next 6pc Pf. 2.1p
Do. 7pc A Pf. 2.45p
Do. 10pc B Pf. 1.75p
NHL (1) Def. Int. Mort. Backed Fltg. Rate Nts. 2028 £783.19
Pall 9cts
PHH 30cts
Powerscreen 4.3p
Premier R0.49
Pressac 10.5pc Prf. 5.25p
Prestwick 7¼pc Cnv. Prf. 3.625p
Protean 2.15p
Ramco Oil 2p
Rank Org. 8¼p (Net) Prf. 4.125p
River Plate & Gen. Inv. Tst. 3p
Rowlinson Securities 1.11p
Royal Bank of Canada Fltg. Rate Debs. 2005 $33.91
Sainsbury (J) 6.35p
SCEcorp. 70cts
Scottish Eastern Inv. Trust 9¾pc Deb. 2020 £4.875
Do. 12⅜pc Deb. 2012 £6.1875
Scottish & Newcastle 7pc Cnv. Prf. 3.6p
Seton Healthcare 3.6p
Shell Transport & Trading 7pc Pf. 2.45p
Shires Inv. 5.9p
Skipton Bldg. Soc. Und. Sub. Nts. £62.56
Smith & Nephew 5½pc Cum. Prf. 1.925p
Smith New Court 3.5p
Do. Red. Pf. 3.25p
Smiths Inds. 11¼pc Deb. 95/2000 £5.625
Storehouse 9pc Ln. 1992 £4.50
S & U Stores 31½pc Prf. 1.96875p
Tarmac 8¾pc Uns. Ln. £4.375
Temple Bar 7pc Pf. 2.45p
Tesco 4pc Uns. Deep Discount Ln. 2006 £2
Throgmorton Trust 7¼pc 1st Prf. 2.5375p
Tie Rack 0.5p
TMC P.I.M.B.S. First Financing Ord. Nts. July 2029 £271.80
TMC P.I.M.B.S. Fourth Financing Ord. Nts. April 2029 £233.12
TMC P.I.M.B.S. Sixth Financing Slow Pay Nts. Jan. 2029 £231.14
TMC P.I.M.B.S Third Financing Slow Pay Nts. Oct. 2029 £273.36
Tollgate R0.10
Tootal 7¾pc Uns Ln. 89/94 £3.875
Tor Inv. 10p
Transamerica $0.50
Transport Dev. 12½pc Ln. 2008 £6.25
TR High Inc. Tst. 1.4p
Do. Sub. 1.5p
Trimoco 0.4p
TR Prop. Inv 0.85p
USF & G $0.05
Wace 8pc Prf. 4p
Wells Fargo Fltg. Rate Sub. Notes 1992 $43.08
Westland 1.25p
Whitbread A 12.4p
Do. B 12.4p
Do. 11⅝pc Deb. 2011 £5.8125
Wolseley 3.1p
Do. 10pc Deb. 90/95 £5
Yorkshire TV 3.3p

■ SATURDAY AUGUST 1
Aberdeen Corp. Gas Anns. 12.5p
American Tel & Tel 33cts
American Trust 5pc Cum. Prf £1.75
Ameritech 86cts
BBA 5pc Prf. 1.75p
Bellsouth 69cts
Consolidated 4pc Ln. £2
Dalgety 4.85pc Prf. 2.425p
Dover Harbour Board 4¾pc Deb 78/83 £2.375
Dunedin Income Growth Inv. Tst. 3.5pc Pf. £1.75
Fleming Income & Capital Tst. 1p
Do. Units 1p
Fleming Mercantile Inv. 1.675p
Do. 3.5pc Prf. 1.75p
Do. 2.8pc Prf. 1.4p
Do. 3½pc Deb 1960/96 £1.75
Foreign Colonial Inv. Trust 6¼pc Deb. 87/92 £3.125
Jenners, Princes Street, Edinburgh 10pc Prf. 5p
Lewis (John) 5pc 1st Prf. 1.75p
Do. 7pc Prf. 2.45p
Manchester Corp. 1891 3pc Red. 1941 (Or After) £1.50
Metropolitan Water New River 3pc Deb £1.50
Monks Inv. Trust 4.7p
North East Water 4¼pc Deb. 2012 £2.08
Do. 5¼pc 2012 £2.58
Do. 10.5pc Deb. 1992/94 £5.25
Do 10.5pc Deb. (2nd Series) 1992/94 £5.15
Do. 12pc Deb 2004 £5.90
NYNEX 116cts
Quebec Central Railway 1st Mtg Deb. £2
Walker Greenbank Red. Prf. 3.25p
Whitbread Inv. 8½pc Deb. 87/92 £3.25
Witan Inv. 2.7pc Prf. 1.35p
Do. 6¾pc Deb. 90/95 £3.375
Young Brewery 9pc Prf. 4.5p

RESULTS DUE

Imperial Chemical Industries reports its second-quarter results *on Thursday, when it is expected* to produce pre-tax profits of £200m-£240m, down from £309m for the same quarter last year. One analyst said that a cut in the dividend would have a cataclysmic effect on the market.

Results on the pharmaceuticals side will be watched closely. Analysts are keen to quantify the fall in Tenormin sales in the US *since the expiry of its patents.* The extent to which the new drugs, Zestril, Zoladex and Diprivan, have made up Tenormin's decline will also be of interest.

Otherwise, agrochemicals are likely to be disappointing, and analysts will be watching the state of the basic chemicals market to see if there has been any sign of an upturn. The chairman's statement about future prospects will be closely examined.

Midland Bank becomes the first of the Big Four banks to announce its half-year results on *Thursday*.

The results are largely of historical interest since Midland was taken over last month by Hongkong and Shanghai Bank and will not pay a dividend to its former shareholders.

Last time round a poor performance on its UK banking operations drove Midland into a loss of £71m. This year it should be back in the black. UBS Phillips & Drew are predicting pre-tax profits of £120m, but a possible write-back of sovereign debt could make the figure even higher.

Lloyds Bank will report on Friday interim pre-tax profits of around £355m against £331m a year earlier. It is likely to increase its interim dividend by about 15 per cent to 6.29 net. The result will underline its performance as the best of the clearing banks.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Bristol Water, Bristol Moat House Hotel, Bristol, 11.00
Cranswick, Rowley Manor Hotel, Little Weighton, Nr. Beverley, North Humberside, 11.30
Erskine House, Erskine House, Oak Hill Road, Sevenoaks, Kent, 12.00
Rowlinson, London House, London Rd South, Poynton, Stockport, 12.00
BOARD MEETINGS:
Finals:
Excalibur
Merrydown Wine
TR Smaller Co's Inv. Tst
Interims:
EFM Java Tst.
Greggs
RPS

■ TOMORROW
COMPANY MEETINGS:
Camellia, Athenaeum Hotel, 116, Piccadilly, W., 10.30
Cater Allen, 20, Birchin Lane, E.C., 11.00
Glenchewton, Chelsea Hotel, 17, Sloane Street, S.W., 10.00
Lowndes Lambert, Watermans' Hall, St. Mary at Hill, E.C., 11.20
Monks Investment Trust, Brettenham House, 5, Lancaster Place, W.C., 10.30
Neepsend, Kenwood Hall, Kenwood Road, Sheffield, 11.00
Stirling Group, Churchill Hotel, Portman Square, W., 12.00
Tex Holdings, 21, New Street, Bishopsgate, E.C., 12.00
Thames Water, Barbican Centre, E.C., 2.15
Volex, Holiday Inn Crowne Plaza Midland, Peter Street, 11.30
Whitbread, The Brewery, Chiswell Street, E.C., 12.00
BOARD MEETINGS:
Finals:
British Bio-Technology
Fleming Emerging Markets
Hadleigh
Mitie
Murray Smaller Markets
Tinsley (Eliza)
Interims:
Allied Textile
Aukett Assoc.
Brown & Jackson
Capita Grp.
Rodime
Shandwick
Temple Bar Inv. Tst

■ WEDNESDAY JULY 29
COMPANY MEETINGS:
Anglian Water, Performing Arts Centre, Hinchingbrooke School, Huntingdon, Cambridgeshire, 11.30
Anglo United, Sheffield Moat House Hotel, Chesterfield Road South, Sheffield, 12.00
British Steel, Westminster Central Hall; Storey's Gt, Westmstr., 11.00
Caledonia Investments, Cayzer House, 1, Thomas More Street, E., 2.30
Cape, London Marriott Hotel, Duke Street, W., 12.00
Halma, Savoy Hotel, Savoy Place, The Embankment, W.C., 12.00
Hogg Robinson, London Press Centre, New Street, E.C., 10.30
Marshalls, Forte Crest Hotel, Clifton Village, Brighouse, W Yorks, 2.30
Scottish Power, Scottish Exhibition & Conference Centre, Finnieston Street, Glasgow, 2.30
Staveley Industries, London Hilton Hotel, 22, Park Lane, W., 12.00
BOARD MEETINGS:
Finals:
Colorvision
Misys
Smith (David S.)
Interims:
Lasmo
Lloyds Abbey Life
Midland Bank
Sphere Inv. Tst.
Telegraph

■ THURSDAY JULY 30
COMPANY MEETINGS:
Amersham, Royal Soc of Medicine, 1 Wimpole Street, W., 11.30
Asprey, The Westbury, Bond Street at Conduit Street, Mayfair, 12.00
BSS, Grand Hotel, Leicester, 12.00
British Telecom, National Exhibition Centre, Birmingham, 2.00
Cropper (James), Burneside Mills, Kendal, 10.30
East Midlands Electricity, Royal Centre, Nottingham, 11.00
Essap, Stationers' Hall, Ave Maria Lane, E.C., 3.00
Hamstel Whiting, Orsett Hall, Prince Charles Ave, Orsett, Essex, 11.00
Oxford Instruments, Old Station Way, Eynsham, Witney, Oxon, 11.00
TR Property Investment Trust, Mermaid House, 2, Puddle Dock, E.C., 12.30
Umeco, Everland Road, Hungerford, Berkshire, 12.00
VSEL Consortium, Forum 28, Barrow-in-Furness, 7.00
Vistec, Midland Hotel, Derby, 1.00
Welsh Water, St. David's Hall, Cardiff, 2.30
BOARD MEETINGS:
Finals:
Dale Elect.
Saville (J.) Gordon
Templeton Emerging Markets
Unitech
Interims:
Ansbacher (Henry)
CIA Grp.
Contl. Assets Tst.
Cowie (T.)
European Assets Tst.
Freeman
Henderson & Crosfield
Hepworth
ICI
Jacobs (John I.)
Life Sciences
Thornton Asian Emerging Markets

■ FRIDAY JULY 31
COMPANY MEETINGS:
BPB Industries, Hotel Inter-Continental, One Hamilton Place, Park Lane, W., 12.00
Barbour Index, New Lodge, Drift Road, Windsor, Berkshire, 4.00
Blacks Leisure, Howard Hotel, Temple Place, W.C., 11.30
Blystad, Institute of Directors, 116, Pall Mall, S.W., 11.30
Campbell & Armstrong, Wimslow Moat House, Wimslow, 12.30
Chamberlin & Hill, Chuckery Foundry, Walsall, 12.00
EFM Income Trust, 4, Melville Crescent, Edinburgh, 12.30
French Connection, 1, Old Burlington Street, W., 11.00
Harrison Industries, 41, Tower Hill, E.C., 11.00
Portsmouth & Sunderland Newspapers, Echo House, Pennywell, Sunderland, Tyne & Wear, 12.30
Rothmans International, Inn on the Park, Park Lane, W., 12.00
Sykes (Andrew), 9, Moorfields Highwalk, E.C., 11.30
BOARD MEETINGS:
Finals:
MMI
OGII
Unit Grp.
Interims:
Lex Services

Company meetings are agms unless otherwise stated.

LET'S GET IT RIGHT!

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اعلانات

Warhorse beaten: Britain's Adrian Moorhouse was last in yesterday's 100m breaststroke final. The winner was Nelson Diebel of the US ahead of Norbert Rozsa of Hungary and Australia's Philip Rogers.

US makes an early strike for gold

Keith Wheatley's look behind the scenes at swimming precedes disappointment for Britain

EVEN before the sparkling Piscines Bernat Picornell had been filled with water, it was obvious that yesterday's men's 100 metres breaststroke would be the most competitive swimming event at the Olympic Games. Nine of the fastest times ever had been set within the past 12 months, so that Nelson Mandela's presence in the VIP box merely added to the electric atmosphere at poolside.

As things turned out, Britain's hopes of a fast start to the Games quickly fizzled out in the breaststroke final. Nick Gillingham, the world's fastest man this year, and Adrian Moorhouse - defending the title he won in Seoul four years ago - could only finish 7th and 8th respectively. Nelson Diebel of the US took the gold medal in an Olympic record of 61.5 seconds.

Gillingham, 25, whose Commonwealth record of 61.33secs at the trials left him top of the world rankings, was the most disappointing, though his effort could have been affected by a long-term groin strain which caused trouble again after yesterday's heats and needed physiotherapy.

Gillingham had apparently considered pulling out after finishing fourth fastest qualifier, to save himself for the 200m breaststroke. Instead, he took the plunge and was always struggling to keep up.

Moorhouse, meanwhile, had entered the Games as an underdog after failing to record a fast time this year, and was unable to repeat anything like his best – 61.49secs – trailing home last in 62.33secs.

Hungarian swimmer Norbert Rozsa's current world record of 61.33secs looked vulnerable, but survived. Among teammates, Rozsa is known as "Richie" because of his striking facial resemblance to the young Richard Burton.

How Hungary has retained its traditional power in swimming is one of the minor mysteries of post-Cold War sport. Training camps in San Diego and Mauritius appear to present no financial problem. In 1991 the 11-strong Hungarian squad broke six world records, while the rest of the world's swimmers managed only eight between them.

Moorhouse's muscular style seems to have been adopted by Dmitri Volkov of the former Soviet Union, who set the fastest qualifying time of 61.74sec. As he churned down the pool beneath the sparkling Catalan skies, Volkov seemed to create whirlpoools and waves.

If his horsepower were ever harnessed to Gillingham's fluid balletic style there might be a record to stand for a decade.

However, as always in swimming, there was the might of the US to consider. Shaven-headed Diebel, 22, had set the second fastest 100m time of 1992 and looked aggressively determined. Naturally, a freshly shaven pate – complete with razor nicks – always looks impressive.

After his victory, Diebel, who confesses to having been hooked on soft drugs from 12 to 16, said: "Swimming is the path by which my life was turned around."

It is a fact of top-class swimming that the era of 13-year-old muppets, driven to swim hour after hour by wicked coaches, is over.

Most of the US women's team are over 20. Three are even married. As such, they have the chance to be interesting.

Jenny Thompson, for example, is known around the team as a James Dean type. "She goes into town, gets the job done and leaves," said a teammate. Unfortunately, Thompson was unexpectedly beaten in the 100m freestyle final.

Britain's favourite female swimmer, Sharron Davies, is also struggling. At 29 and with Olympic memories stretching back to 1976, the leonine Davies must surely be on her swansong. In qualifying heats of the 400m medley she came last.

Yet it is a truism that the British love nothing more than a gallant loser. Davies was mobbed by cameras and microphones. Perhaps her mission as she left the pool for the Olympic village should have been to counsel the frisky young Australian females who had performed an impromptu striptease for male team-mates. The tabloids were slavering.

Barcelona: a city transformed

Nicholas Woodsworth looks at Catalonia and its radically altered infrastructure stemming from the staging of the Games

I SPENT most of last week watching and worrying about the grass.

Other visitors to Barcelona may have had other preoccupations. Newly arrived athletes from around the world unpacked their Reeboks and frolicked in the Olympic village. VIPs jetted in from distant corporate HQs and wined and dined the nights away aboard luxury liners. Crowds of foreign press and hordes of Japanese cameramen swamped the streets looking for copy and filming anything that moved.

As the Games' extravagant Saturday opening ceremony at Montjuic – the hilltop Olympic site in the middle of the city – approached, Olympic fever, a spreading virus, struck everywhere. All Barcelona ate, drank, danced and dreamed Olympics.

I did not dream Olympics. Through the airless wee hours of the night I lay sleepless; listening to the sounds of adolescent motorcycle hooligans buzzing around the periphery of the Press village – and worrying about the grass. It was not growing fast enough.

Throughout the week, Spanish contractors had been working at breakneck pace to complete the city's vast and grandiose Olympic plans on time. On Montjuic, mobile cranes lifted ornamental stone pediments into place. Excavating machines dug trenches for power and communication cables. Scaffolding was thrown up to put the finishing touches to building façades. Hammers rang, drills whined, trucks ground in low gear. In their frantic haste, no one seemed concerned about the decorative lawns they were bashing, bruising and ripping up in the process.

From the Placa d'España, the imposing entry point into the Olympic area, to the great stadium showcase at the top of Montjuic, everything looked magnificent – the broad processional avenue festooned with fluttering Olympic banners; the tiered fountains and cascading watercourses on the hillside; the *art nouveau* lamp standards; statues of nudes and buildings of baroque ornateness.

Everything was perfect, but for the grass. Wide swathes of ground lay bare, fallow and ugly.

To me, the entire Olympic project and all it involves – 11,000 athletes from 172 countries, 15,000 journalists, 10,000 paramilitary security men, six years of preparation, $4.6bn worth of investment, the hopes, dreams and financial prospects of sprinters, politicians and advertising agencies – seemed threatened.

How could the opening ceremony, I wondered, be shot against a background of bare, black dirt? Forget about the 60,000 punters paying $400 a ticket to attend the opening ceremony personally. But what about NBC paying huge sums to broadcast it publicly? What about 3.5bn TV viewers around the globe. No amount of banners and bunting could hide the eyesore.

"We have fertilised, we have seeded, we have watered," a city gardener told me with a wave of his hand. "It will grow. *Mañana.*" But with a week to go, broad expanses of ground around Montjuic, Barcelona's pride and joy, were as naked as an ancient Greek Olympian.

Life, however, works mysteriously under the Spanish sun. What began eight days ago as tiny tendrils poking out of the soil had become a faint blush seven days ago. By Tuesday, the blush had become a pale, electric green. The days went by. The young grass strengthened and grew by centimetres. By Saturday morning, when I rose early to check it one last time, it had become, if not a fully fledged English-style bowling green, an acceptable backdrop to the promised five-ringed spectacle.

I was astounded. City gardeners, on the other hand, seemed to take it for granted. Perhaps, like most Catalans, they have become entirely used to rapid growth and startling results.

For most of us, the Barcelona Olympics are a two-week entertainment, a spectacle of youthful athleticism. For Catalans the event is something far more besides. As Lluis Arnet, municipal councillor in charge of city planning, has put it, the Olympics "have provided us with an extraordinary pretext for mobilising resources with which to transform the city."

And transformed it they have. For Barcelona this is an unequalled opportunity to present an image of a city and a region that is modern, dynamic and ready to take on the coming challenges of the single European market.

In a sustained burst of energy and spending, Barcelona has not only rebuilt Montjuic but constructed more than 40 other Olympic venues. A redesigned port, a vast new waterfront suburb, rejuvenated suburban peripheries, a new airport, an extensive new highway system, new hotels, skyscrapers, communications towers and 150 new parks and urban spaces have all radically altered Barcelona's infrastructure.

The city's growth reflects Catalonia's growth. Catalonia has always been Spain's most industrialised, richest area. While Spain can claim only 72 per cent of average EC national per capita income, in the last five years Catalonia's income has risen slightly above the EC average; it is now richer than Britain.

But economics are not the only factor that have made the Olympics vital to Catalonia's future. No equation in Catalonia – economic, cultural, political – can be complete without taking into account the region's fiery nationalism.

A people with a separate language, history and outlook on life – they were primarily urban and industrialised when the rest of Spain was still rural and agricultural – the Catalans have always been at odds with Castillian Spain. What was seen as imperial invasion and oppression in earlier centuries gave way to even harsher and more discriminatory treatment under Franco's fascist rule.

The result has been the growth, through the post-Franco period, of various strains of Catalan nationalism ranging from the modestly cultural to the stridently separatist. These days, Catalonia's semi-autonomous government hands out tracts to visiting Olympic journalists which call the region "a nation without a state of its own," but its leaders have ruled out the declaration of an independent state. Other political organisations call for more radical steps.

The Olympics, however, have had a miraculous effect on the volatile world of Catalan politics. Catalonia's great hope for a leap into the future, they have moderated and drawn together all strains of political sentiment.

For the sake of the Olympics, industrialists, socialists, Spanish federalists and hard-core Catalan nationalists have all, so far, made consensus and pragmatism the order of the day.

When 60,000 spectators made their way up the Montjuic hillside to watch Saturday's spectacular opening ceremony, the first national anthem they heard in the Olympic stadium was not Spain's, but Catalonia's. *Els Segadors* is its battle hymn and rallying cry. "Triumphant, Catalonia will once again be rich and full!" run the words. "Let us swing the sickle! Let us swing the sickle, defenders of our land!"

By the time these Games are over, Catalonia may well be triumphant, rich and full. Certainly the grass lawns around Montjuic will be ready for a good swing of that sickle.

OLYMPIC NEWS IN BRIEF

Germany beat India 3-0 at hockey

Germany crushed eight times Olympic champions India 3-0 with devastating corner drills yesterday to launch a drive for gold in the men's hockey tournament.

"We had very good short corners. We were awarded three and scored from each of them," coach Paul Lissek said. "That was the success of this match."

However, he said his team had made too many errors.

In other opening matches, Britain overcame Egypt to win by 2-0 and Australia won 7-0 against Argentina.

Spain swept past New Zealand 3-0, delighting a local crowd, including International Olympic Committee president Juan Antonio Samaranch, in Terrassa, outside Barcelona.

US basketball team punish Angola

The US Dream Team purred like a cat and roared like a lion as they pulverised a woefully overmatched Angola 116-48 in their opening basketball game.

Sputtering only at the very start against the African champions, the team of millionaire superstars flew to victory after scoring an amazing 31 unanswered points.

Bombs hit power line

Two bombs knocked out the main Franco-Spanish electricity line at Belesta in the eastern Pyrenees during the opening ceremony at the weekend, French police said yesterday.

The Spanish Basque separatist organisation ETA, which *had vowed to disrupt the Games, is suspected, said police.*

Australia takes cycling honours

Australian Kathryn Watt took the gold medal in the women's individual road race after Marie Purvis, the UK national champion, suffered a puncture while leading the race. Purvis, from the Isle of Man, eventually finished 24th.

South Korea wins first gold

An unknown novice South Korean markswoman snatched the first gold medal of the Games yesterday in the air rifle event.

Yeo Kab-soon, an 18-year-old sports instructor, said she had thought she might squeeze into the final eight but had never dreamt of taking gold ahead of the experienced Vesela Letcheva of Bulgaria, the 1989 world champion.

Yeo notched up 498.2, just outside the world record of 500.8.

Yeo started Olympic air rifle shooting three years ago after watching the event on television.

Gold can for Chinese winners

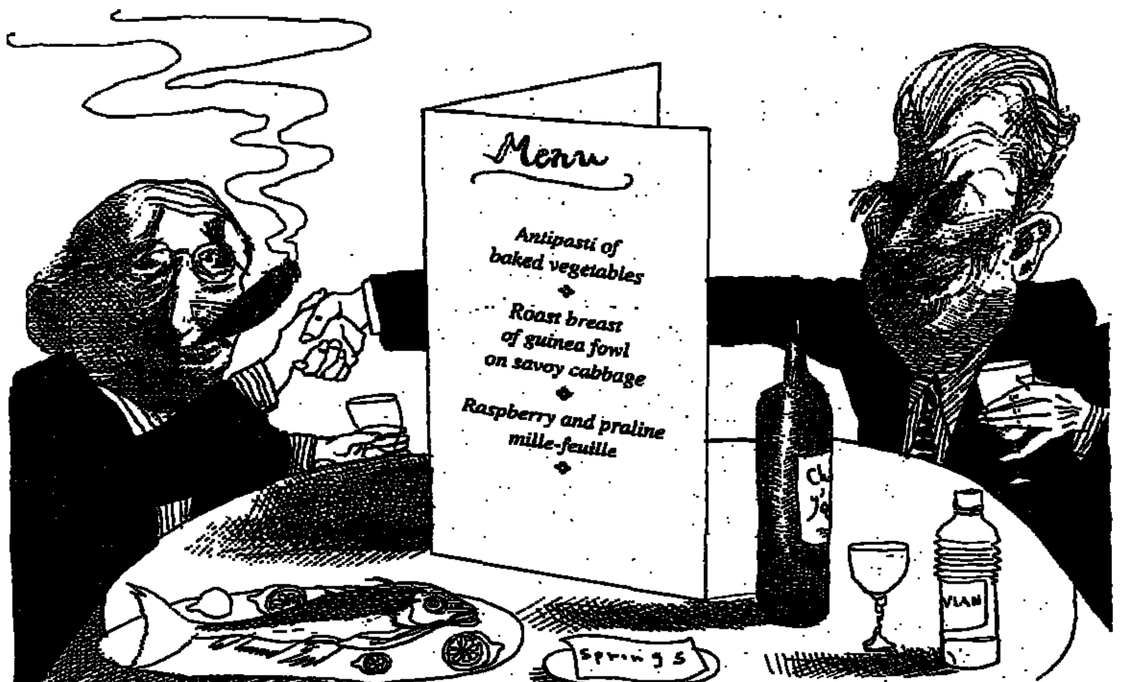
Chinese athletes will be getting more than just a gold medal if they come in first at the Olympics. They'll also get a solid gold pop-top can from Jianlibao, a Chinese soft drinks company.

MANAGEMENT

BUSINESS LUNCHES

A light bite and a heavy sell

Michael Cassell begins a series on expense account eating



IF lunch is "for wimps", to quote Gordon Gekko, the Wall Street financier who preferred to dine off other people's misfortunes, then the streets of London are well populated with weaklings.

For in spite of the longest recession for 60 years, the business lunch is still on the day's agenda across the Square Mile and throughout the West End.

It may be quicker, almost certainly cheaper and possibly healthier, but the working lunch remains big business in the capital, where restaurants are trying harder than ever to make their cash in two hours, five times weekly.

The excesses of the 1980s have gone, with customers increasingly going for the "menu rapide" instead of the 1980s-style blow-out, when champagne stocks ran out and the bills ran up.

But many people still make time for a bite to eat with the contact who would otherwise remain a disembodied voice on the telephone.

"Lunch today is a more modest affair but it still counts. It's usually one or two courses, a glass of wine, a bucket full of gossip and, with some luck, the chance of a deal. That's good value for £50," according to Jamie Dunn, a futures market man buying lunch at Le Cafe du Marche, a former warehouse close to the Barbican and now one of the most popular business venues.

"Lunch is not a perk. Good times or bad, it always helps if you can look someone in the eye when you need to," says Neill Moran, an investment banker indulging his guest in one of 36 varieties of champagne available at The City Flogger.

"I would refute the idea that hard times have wrecked the business lunch. Try turning up at any good restaurant in the City without booking and you run the risk of embarrassing yourself in front of your client," according to Mark de Wesselow, publisher of Square Meal, the City and West End guides to eating out. He adds: "The fact that, even in a recession, the Square Mile alone can support well over 225 restaurants is the greatest testimony of all to the role of the business lunch in the 1990s."

Even so, many big employers in London have cut back their entertainment budgets – £25-£30 per head for lunch seems about average – although there is always the tricky question of not appearing either too cheap or too extravagant.

"If it's cheap and nasty, you know they're having a hard time. If it's over-the-top, you can draw the same conclusion," says Murray Jacobs, a commodities broker who has crossed the Thames to lunch by Tower Bridge at Sir Terence Conran's Le Pont de la Tour, one of the current places to be seen. Do not use it, or the Stephen Bull bistro near Smithfield market, if you want to keep your business liaisons secret.

Increasingly, large companies are trying to make lunch an in-house affair, where the duration and the cost can be better controlled.

Goldman Sachs, the US investment house, was once regarded as one of the more generous lunchtime entertainers around the City but it now boasts a stylish, 10th-floor restaurant in its modern, Fleet Street headquarters.

Christopher Brown, the managing director of Corney and Barrow, which has seven city restaurants, confirms that people want better value out of lunch. This year average expenditure is down by nearly 20 per cent, although the number of transactions is up 30 per cent.

"It is a question of talking six to the dozen about business in the time available." To compete for clientele, Corney and Barrow offers little extras such as a "host button", enabling the host to surreptitiously summon service without interrupting the flow of conversation.

Although companies like Legal and General, National Westminster, Gestetner, Shell and Imperial Chemical Industries have removed alcohol from their premises, the capital's wine and champagne bars are bearing up. Pimms or champagne still top the summer pops.

London can also claim to offer a more interesting range of food than was the case a few years ago. The French cuisine which first ousted the "nursery" food beloved of British businessmen has been joined by tastes from around the world.

Oriental restaurants such as Tatsuso – the Japanese restaurant in Broadgate Circle – thought to be the first in Britain with a Michelin star – are increasingly popular.

But old eating habits still die hard. Simpsons in Cornhill, purveyors since 1757 of steak and kidney pud and plum duff and custard, has its loyal fans. Places like Sweetings, the most hectic fish restaurant in town, and Bubbs, a maroon-panelled oasis alongside Smithfield market, also rarely lack customers.

Some of the most popular restaurants for a business lunch, however, remain well over the Square Mile's western boundary. The Savoy Grill, where favourite tables are annoyingly reserved for captains of industry or the Chancellor of the Exchequer, still ranks among the most popular lunch-time venues.

Others include the Connaught, where quail's eggs in pastry boats offer a tasty insight into what can follow, Wiltons, the Jermyn Street fish restaurant favoured by property men and former prime ministers, and Le Gavroche, a shrine to the Roux brothers.

Many of them will effortlessly deduct well over £100 a head from any expense account, though the bill will be less indigestible at some of the newer, trendier West End eating spots, such as Orso in Covent Garden, used by younger executives out to impress.

Similarly, sassy places to talk business include the Greenhouse off Park Lane and Le Caprice – sister restaurant to the wildly popular Ivy – behind the Ritz, itself offering one of London's grandest dining-rooms and dubbed the "Trafalgar House canteen" in deference to the hotel's owners.

Conran fans away from the City head for the light and spacious Bibendum restaurant in the Fulham Road's Michelin building while the set lunch at La Tante Claire in Royal Hospital Road provides an opportunity to marvel at Pierre Coffmann dishes which can cost a bomb in the evening.

But if your expenses cannot stand it, try a fresh approach. Whisk your guest up Bow Lane and usher him into Sorella for a tasty triple-decker honey roast, Jarlsberg cheese and turkey sandwich on ciabatta bread. The cost? A mere £2.75 – unless the chauffeur gets a ticket.

Legend behind the cash cow

Few people have had as much impact on international business in the second half of the 20th Century as the founder of the Boston Consulting Group, Bruce Henderson, who died last week aged 77 in the city where he was born, Nashville, Tennessee.

Though this might be disputed by US General Electric and BCG's top consultancy rivals at the longer-established McKinsey & Co, Henderson's greatest claim was to have put the concept of competitive strategy on the map. Until he founded BCG in the early 1960s, the competitive element of strategy was conspicuous in most corporate analyses by its absence.

Henderson was the father of two analytical tools for which BCG had become famous – even notorious – by the late 1970s: the "experience curve" and the portfolio "growth share matrix". These, in turn, launched BCG's gospel about the all-importance of high market share. They also gave rise to such graphic expressions as "cash cows" (businesses which can be milked for cash) and "dogs" (those which should be sold or eliminated).

By the time he retired in 1985, his empire had grown to 500 employees and nine offices. In the last seven years, its size more than doubled, to 1,300 employees in 19 offices around the world. That growth rate spells manifest success with clients. Yet, many executives who have never used BCG's services still view the firm critically, as an arch-exponent of the discredited peddling of packaged solutions.

This is an unfair allegation – witness, BCG's recent sophisticated work on quality and "time-based management". But it is one which several former colleagues felt Henderson brought on himself, by being such an arch-simplifier and salesman of his own and his firm's ideas.

Henderson belonged to that sizeable branch of the strategy world whose first degree was engineering, rather than arts, social science or economics. Hence, his deep interest in complex systems – a field which is only now having an impact on business through the concept of "organisational learning." He had little time for economists, arguing – with much justification – that "Darwin is probably a better guide to business competition than economists are."

Christopher Lorenz

Are MBAs still useful to ambitious business people? **Andrew Adonis** investigates

Sharper skills and bigger pay cheques

Decrying the value of an MBA is all the rage, but some consumers still seem to think it is value for money. So say two very different surveys of graduates from British business schools – published, you should be warned, by the institutions themselves.

The first, a survey of graduates from Cranfield School of Management's full-time MBA programme between 1970 and 1990[1], shows all but 3 per cent of alumni "highly satisfied" and nearly 90 per cent avowing it as "important" to their career progression.

However, the main reason for taking the MBA had changed. In 1970 the top reason was "to change career"; since 1975 the top slot has been "to acquire new skills". Despite that, the number of company-sponsored students has dropped from nearly a quarter in 1970 to 4 per cent in 1990. Cranfield's part-time MBA seems to have taken most company-sponsored students.

On the pre-MBA background of students, in the first 10 years of the programme there was a shift away from large companies (turnover in excess of £100m a year) to small companies (turnover up to £10m a year). Since 1985 this shift has slowed, and the last year surveyed (1990) saw a move back to medium-sized and large companies, possibly as a result of the recession.

Some things remain fairly constant. The salary differentials pre/post MBA stayed typically in the order of 30/40 per cent. Similarly, graduates from all four of the years surveyed regarded finance and accounting, followed by marketing, as the most valuable programmes.

The second survey is of students on the part-time MBA at London's City University Business School[2], which runs one of the UK's largest evening MBA courses. The course, begun in 1983 for City workers, takes nearly 100 students a year.

The average age of students surveyed was 30, 82 per cent of them men. Around half had their fees paid by their company, with another quarter part-sponsored. Graduates produce the usual list of benefits ("thinking strategically", "wider understanding of business"), but a surprisingly high number volunteered "credibility" as a benefit. And guess the average salary increase? Yes, another 30 per cent. "It is not possible to say whether this was a result of the MBA," says the report modestly.

The effect of sponsorship is not straightforward. Whereas sponsored employees are more likely to stay with their employers, the unsponsored are less likely to change employer than the part-sponsored. "Possibly this is because an employee who has undertaken such a commitment does so because it is the only way they can see to change function or achieve promotion."

1 The MBA at Cranfield 1970-1990, Cranfield Institute of Technology, Cranfield, Beds MK43 OAL.
2 The Evening MBA Alumni Survey, City University Business School, Barbican Centre, London EC2Y 8HB.

BUILDING CONTRACTS

Hospital development scheme

BOVIS PROGRAM MANAGEMENT has been appointed project manager of an £11m contract to build an accident and emergency department for the North Middlesex Hospital (NHS Trust) in Haringey. This contract is the first phase of a four phase redevelopment scheme valued in excess of £60m.

Bovis Program Management started work on the design of the development in April. The building, which will provide 37,500 sq ft of medical facilities, will be built on the site of a car park which will be relocated elsewhere in the hospital grounds.

Construction of the building, which will feature two new orthopaedic wards, two operating theatres, an accident and emergency department with a specialist fracture clinic and X-ray department, will begin in July 1993. The project is scheduled for completion in January 1995.

Bovis Construction, another P&O company, has been awarded two contracts, together valued at more than £12m, to design and build regional centres for Marks & Spencer in Birmingham and Manchester.

In Birmingham, work will start in September to design and construct a 23,000 sq ft sales floor at the second floor level of Marks & Spencer's main city store.

An enlarged 14,000 sq ft food hall will be installed in the basement and completely new staff quarters and office accommodation will be provided at the third floor level.

In Manchester, Bovis will start work in September to enlarge the city's principal Marks & Spencer store. By converting a stockroom, the ground floor sales area will be enlarged by 18,000 sq ft.

An enlarged 14,000 sq ft foodhall will be installed in the basement, whilst a take-away food shop will be created within the ground floor sales area.

Portsmouth Harbour project

EDMUND NUTTALL has secured a contract worth about £3m to build a quay wall at the Albert Johnson Quay in Portsmouth. The client is Portsmouth City Council, whose engineers have designed the works and will supervise the contract.

The latest project will consist of deepening the Albert Johnson Quay dockside and strengthening the quay to accommodate larger general cargo and reefer vessels. Although overall duration of the contract is 40 weeks, 100 metres of new working quay has to be completed and operational by mid-December.

Not only does the project involve dredging for the new approach channel and berth, but also the construction of about 200 metres of quay wall in front of the existing quay. This will comprise steel sheet piles, raking steel bearing piles and a reinforced concrete anchor beam to support a reinforced concrete relieving slab on to which crane beams will be constructed for dockside luffing cranes to travel.

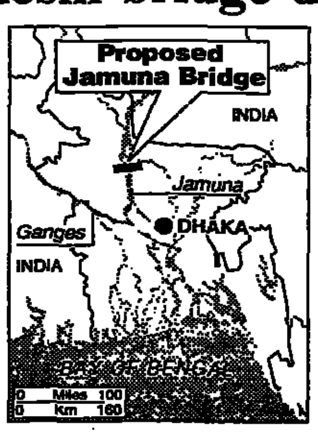
Further works include the construction of foundations and associated services for a cold storage shed behind the quay for soft fruit storage.

Social housing

PEARCE CONSTRUCTION has won a £1.75m contract from the Guinness Trust, a leading national housing association, funded by the Housing Corporation.

The project involves the construction of 64 dwellings in the Winyates area of Redditch, Worcestershire. Adjacent to existing domestic housing, the development comprises 14 two-bedroom houses, eight three-bedroom houses, 34 one-bedroom flats and eight two-bedroom flats. The project has started and is expected to be finished in 40 weeks.

New Bangladeshi bridge design study



RENDEL PALMER & TRITTON and its fellow consultants on the proposed £310m Jamuna Bridge in Bangladesh have been commissioned to integrate the bridge end design with the land use master plan drawn up by another British consultant, GHK/MRM International.

It is recognised that the World Bank-funded bridge will provide considerable development potential at the bridge ends and that it is vital to adapt and integrate the master plan with the engineering design and tender documents.

RPT, its engineering partners NEDECO of Holland and the locally-based Bangladesh Consultants, will consider a number of factors. These range from distribution of landfill and integration of re-settlement sites to assessing the general layout of bridge end facilities, including roads and railway land allocation.

As far as the bridge is concerned, RPT is in the process of completing the new programme of contractor prequalification called for by the bank.

Tender documents are expected to relate to a bridge designed for road, but with the potential to be adapted to road plus rail at a future date and at minimum incremental cost.

The bridge will be the first fixed transport link across the Jamuna River, which forms a 15km barrier separating the fertile north-west zone from the commercial centre, Dhaka and the country's primary port, Chittagong.

£10m orders won by Trafalgar House

The regional business of TRAFALGAR HOUSE CONSTRUCTION has won another £10m worth of contracts for civil engineering and building work.

This includes a £2m contract for the construction of an industrial unit for Abbey Life Assurance Co to be built on a site adjacent to the Euroway Industrial Park near Swindon. The unit will have concrete foundations, a reinforced concrete floor, steel portal frame, profiled steel roof and wall cladding, brick external walls and internal offices.

Road construction contracts worth almost £2m have been secured from the Cheshire County Council and the Leeds City Council. Work will begin on a 500 metre section of the Chester western bypass next month, while work on phase one of the Leeds city centre loop has already begun.

In Scotland a £1.2m contract has been awarded for groundworks and site preparations associated with the Abbey Retail Park at Coatbridge. In Wales the company has a £1m design and construct contract for community housing.

Fitting out major retail developments

TAYLOR WOODROW GROUP companies have picked up two retail fitting-out contracts, together worth nearly £5m.

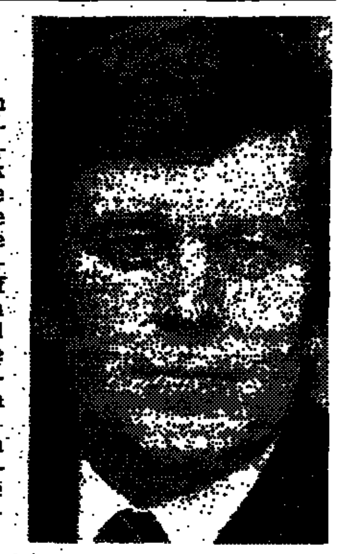
The first was awarded to Taylor Woodrow Construction Southern, Southall, for the Safeway store at Thomas More Square adjacent to St Katharine by the Tower in London. Worth £2.6m, this follows a £3.7m contract by Taylor Woodrow earlier this year to build the store.

The second, a £2.1m contract at Watford for BhS - formerly British Homes Stores and now part of the Storehouse Group - has been awarded to Myton, another subsidiary of the Taylor Woodrow Group and based in Hayes, Middlesex.

It involves extensions at both the ground and first-floor levels into the Harlequin shopping mall, together with refurbishment of the sales areas and a 100-seat restaurant. Both contracts are due for completion this autumn.

PEOPLE

Swanson finds a home at Tay



John Swanson, who was forced to resign as chairman and chief executive of Barratt Developments 12 months ago, is back building houses. He has been appointed managing director operations of Tay Homes, the Leeds-based housebuilder which seems to be weathering the recession better than many of its rivals.

There is a certain irony about Swanson's arrival at Tay Homes. Not only is the company in a much healthier condition than Barratt, but its two founders – chairman Trevor Spencer and chief executive Norman Stubbs – started Tay after Barratt took over their old company, Bracken Construction, in the early 1970s.

"Trevor and I were against the takeover," says the 50-year-old Stubbs. So they decided to set up on their own when Barratt took over. They still own 27 per cent of Tay which went public in 1983. Although the 1,000 houses a year that Tay builds is small by comparison with Barratt's 5,000, Tay has avoided paying too dearly for land. Swanson, 45, was ousted from the Barratt boardroom last year following a £106m loss, most of which resulted from the need to write down the value of the company's land bank.

Stubbs says that Swanson was a "victim of circumstances". He had kept in contact over the years and took him on as a consultant after he left Barratt. "We needed some more help and John was the ideal chap," says Stubbs. Swanson will be in charge of day-to-day operations and, in particular, will be concerned with the development of the subsidiary companies in Glasgow, Leeds, Cheshire, Leighton Buzzard and Plymouth.

The arrival of Swanson means that Stubbs, and the 60-year-old Spencer, will be able to spend more time formulating group policy.

Electronic switches

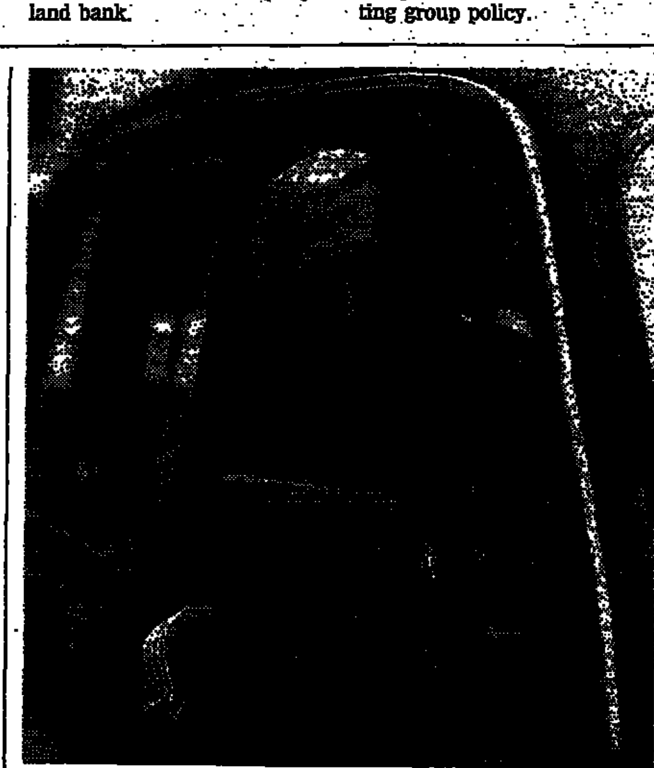
■ Dennis Grice has been appointed finance director of AT&T CAPITAL; he joins from AT&T Systems Leasing, US. Kim Dicks has been appointed director of AT&T Leasing, a division of AT&T Capital. John Burris has been appointed md of AT&T Business Communications Europe; he moves from AT&T Business Communications Systems in the US. Jim Wilkinson (above left), formerly sales and support director of Ungermann-Bass's UK subsidiary, has been appointed md of AT&T EASYLINK SERVICES' UK business.

■ Ian Craig (above right) has been appointed group md UK and Richard Reid deputy md private switching in the UK for NORTHERN TELECOM EUROPE.

■ Stuart Walsh, formerly vice-president European operations for Marcam, has been appointed UK chief executive officer of ROSS SYSTEMS; he succeeds Larry Smart who becomes president, North American operations.

■ Chris Rogal, a consultant with KPMG, has been appointed marketing director of the UK operations of CSC EUROPE.

■ Ed Hough, formerly md – Europe for Johnson Matthey, has been appointed chief executive of SECURICOR's communications division.



The chairmen of Manganese Bronze, maker of London's famous black taxi cabs, have a tendency to die in harness. Hence the company has decided to pick a relatively youthful Hugh Lang (above), the former chairman of management consultants P-E International, to fill the chair which has been vacant since Rocky Stone died in April.

Lang, 59, trained as a metallurgist, but joined P-E as a management consultant in 1961. In 1980 he was made executive chairman and brought the company to market in 1986. Before he stepped down last month, he had been specialising in the fields of board structure, top organisation and business development. His skills in this last area could come in useful at Manganese Bronze, which has been hit hard by the recession.

Although Manganese Bronze is capitalised at just £13m on the stock market, it always seems to have been able to recruit high profile figures as chairman.

Lang's predecessor, 77-year-old Rocky Stone was a leading light in the Industrial & Commercial Finance Corporation and sat on the boards of Smith New Court and Babcock International. Meanwhile Stone's predecessor, Dennis Poore, headed the company for 21 years, and was a driving force in trying to save Britain's motor cycle industry. He was 70 when he died in office.

Moves in finance

■ Danny Truell has been appointed head of Hong Kong Research, SG WARBURG SECURITIES (Far East). Francis Peckham, director SG WARBURG & Co, has been made director responsible for Warburg's investment banking activity in south east Asia.

■ John Campbell, md of Framlington Pensions Management, has been appointed a director of FRAMLINGTON GROUP.

■ Ronald Spinney, founder director of Greycoat and a director of the London Docklands Development Corporation, has been appointed a member of the board of HANOVER PROPERTY UNIT TRUST.

■ Brian Constant, a corporate banking director of Lloyds Bank and current chairman of the executive committee of the Middle East Association, is appointed a director of GUARANTEED EXPORT FINANCE CORPORATION.

■ Peter Hargreaves (below left), formerly director of UK and international institutional client services at Fidelity, has been appointed a director of GARTMORE Pension Fund Managers. Andrew Jardine (below right) is appointed a director of GARTMORE Investment Trust Management; he moves from Henderson Administration.

Opera/Max Loppert

Hail and farewell at Glyndebourne

"Well, that's that," said Sir George Christie, appearing on stage last Thursday after the final curtain calls of the 1992 Glyndebourne Festival's final performance. He was in his best dry, throwaway vein, and proceeded to give a model demonstration of the uses of English understatement in end-of-term speeches of the kind. For "that", after all, was not just an incandescent account of Tchaikovsky's *Queen of Spades* – one of this season's two new stagings, and one of the outstanding events in festival history – but the last full-scale performance in a theatre on the point of being knocked down and totally re-built.

In fact, that was even then not quite that for the theatre itself. The following evening it fired into action one last time, for a gala audience (aptly thanked by Sir George for paying "extortionate prices") and a stage full of Glyndebourne opera stars past and present: Montserrat Caballé, Frederica von Stade, Ruggero Raimondi and Felicity Lott among the singers, Janet Baker, Elisabeth Söderström and Geraint Evans in speaking, memory-recalling roles, and the LPO and Glyndebourne Chorus conducted by the current and former Glyndebourne music directors, Andrew Davis and Bernard Haitink.

The early-evening concert, which is said to have earned the re-building fund a cool £700,000, was given a delayed transmission on BBC2 – so that those of us watching and listening at home had the splendid post-prandial firework display as visual accompaniment to the closing item of the programme, the *Figaro* overture. On May 28 1934, that opera launched activities in the old theatre; if all goes according to plan, it will do the same in the new, exactly 60 years later.

The choice, like most of the others on the gala programme, was cunningly devised to reflect peaks of achievement over the 58-year span of Glyndebourne's existence. Choruses from *Idomeneo*, *Macbeth* and *The Rake's Progress*, the final scenes of Monteverdi's *Ulisse* and Strauss's *Capriccio*, and diverse items from *Don Giovanni*, *Il barbiere di Siviglia*, *Porgy and Bess* and *Peter Grimes* (the other new production of the 1992 season) made up a tapestry skilfully woven out of specially significant and colourful Glyndebourne artistic threads.

It was, as gala concerts go, a decent affair – not exactly scintillating (but then galas seldom are), not managing to infuse authentic Glyndebourne magic into the various operatic highlights (except during Cynthia Haymon's ravishing Gershwin "Summertime"), but unfolded with dignity and tact.

In another way, indeed, it afforded the wider world a truthful glimpse into the heart of the extraordinary Glyndebourne enigma: the enterprise, unsubsidised by state money and wholly dependent on the top end of the paying public, that has preserved consistently – and, increasingly in the modern world, incomparably – high, serious standards of opera-performance. However much glitz and conspicuous consumption there may be on the picnic lawns, in the theatre the rule has been productions long-rehearsed and musically responsible, and above all a telling closeness of contact between singers, players and audiences.

With the years, and particularly with the various attempts at enlargement of the 1950s, that intimacy was bought at a price: as Christie puts it in his foreword to the 1992 programme book, "with middle age [the theatre] has increasingly looked like Tom Kitten. We all have great affection for it, but the waistcoat buttons are fit to burst." In truth it has never been a comfortable theatre either for performers or audiences (who on hot summer evenings have particularly felt the pinch of *their* too-tight dinner-jackets and trousers while squeezing into narrow rows and cramped seats). Glyndebourne regulars treasure their long list of unforgettable moments in spite of many of the theatre's features rather than because of them.

The new house will add 300 seats to the old total of 850 (and make a welcome provision for standing places at the back of the second circle). There will be an enlarged pit, not to enable Glyndebourne to contemplate the orchestrally super-sized operas – according to Anthony Whitworth-Jones, festival general director, recent rumours of a Glyndebourne *Tristan und Isolde* in prospect are without foundation – but to give air to the instrumental sounds and physical relief to the cramped human beings producing them. (When occupied by "period" bands, the front platform of the pit will rise to a suitable height at the touch of button.)

There will also be a much-needed expansion of wing space, and improvements of various technical and lighting facilities, though the last word in state-of-the-art stage machinery has never been considered affordable or, more important, artistically imperative. But the proscenium arch will grow by only a few feet in all directions; for this reason, no existent production is likely to be denied a showing in the new house on grounds of size-suitability alone.

Whitworth-Jones insists that it is to be a "bigger house, not a big one. We said to the architects that we must preserve an intimate atmosphere in the auditorium: this was the first and last requirement. The fact of size is not going to alter repertory policy. Of course that's going to develop, but within the context of the policy which we've actually pursued for decades – which is basically making up an ensemble-type repertory, not huge-voice-league, star-based opera."

He speaks enticingly of future prospects for Handel (of all the operas and oratorios only *Jephtha* has previously been mounted, in an appallingly inauthentic edition), for a renewal of the 1950s Rossini rediscovery, for the new opera promised by Harrison Birtwistle for the Glyndebourne Touring Opera's 1994 schedule (to be taken on by the festival proper the following year). Next June, to assuage summer withdrawal pangs, there will be nine Festival Hall concert performances, three each of *The Merry Widow* conducted by the LPO chief, Franz Welser-Möst, *Fidelio* conducted by Klaus Tennstedt, and *Beatrice and Benedict* conducted by Andrew Davis.

The 1992 festival, with a flawed but heartfelt and deeply considered new *Grimes*, an utterly enthralling new *Queen of Spades*, and distinguished revivals of *Così*, *Jenufa* and *Death in Venice*, closed the old theatre in grandest Glyndebourne style. I wondered whether, at the end of it all, Whitworth-Jones wanted to rush out to the demolition teams already in action and shout "Stop, this madness can go no further!". His smile, tired but contented, was the only answer needed.

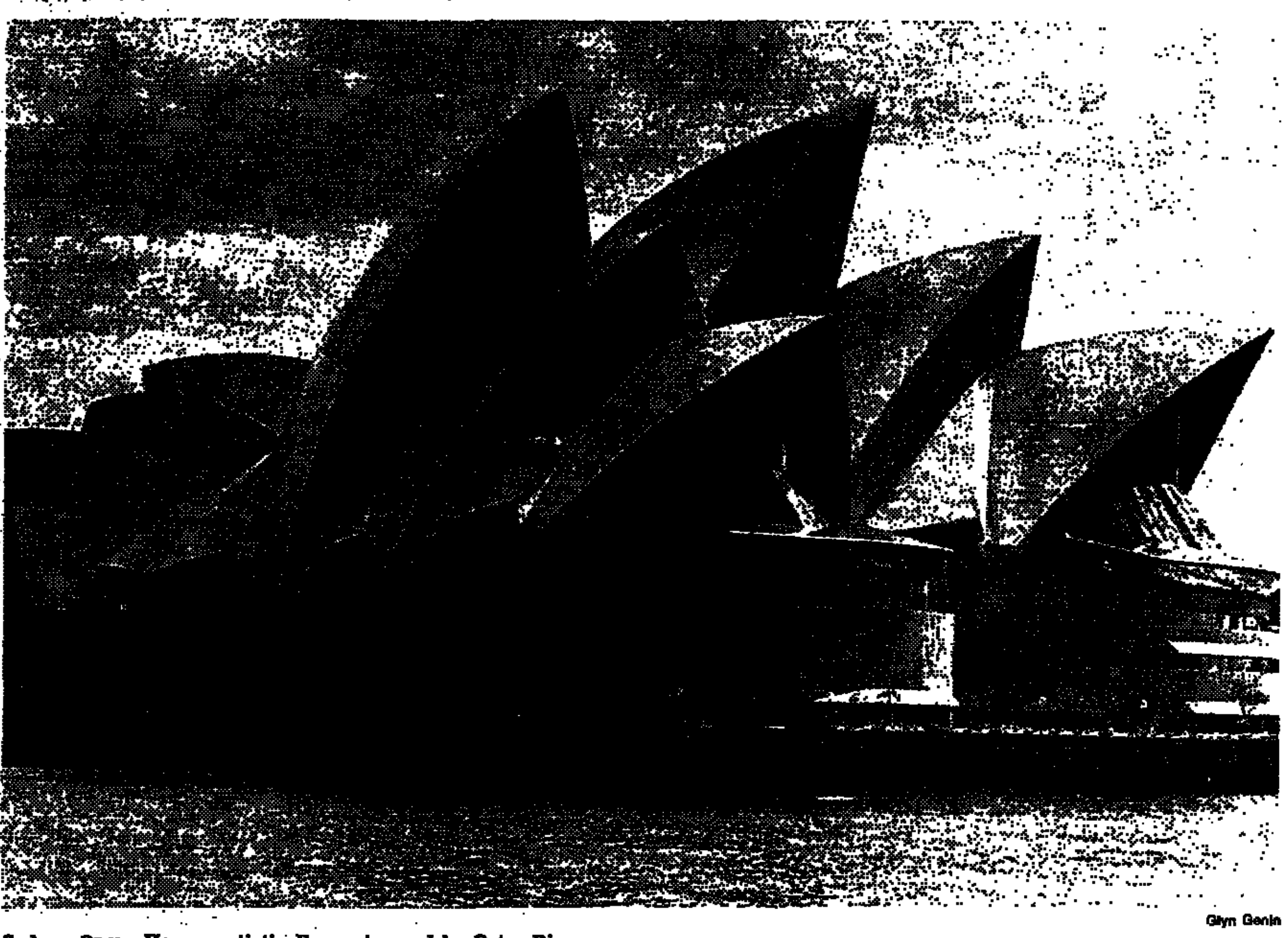
Architecture/Colin Amery

A master of the material world

"THE BASIS of engineering is the knowledge of the materials being used: knowledge of what they are made of, how they are made, how they are shaped, how they stand up to stress, how they break, how they catch fire, how they react to all the agencies of ruin which are perpetually nibbling at them, how in due course they fall down. This is the true basis of engineering."

These words of a famous engineer, A. J. Harris, were written in a paper called, "Architectural Misconceptions of Engineering". He went on to explain why he thought that engineering was an art and not a science. He might have been writing about the philosophy behind the work of Peter Rice, a very distinguished engineer who has won this year's Royal Gold Medal for Architecture.

It is very unusual but not inappropriate for an engineer to win this premier award; of all the great practising engineers Peter Rice certainly deserves it because a great deal of contemporary architecture would not exist without him. There is an opportunity to see his work in London at the moment at an exhibition at the Royal Institute of British Architects at 66, Portland Place, London W1, which is on view during the dog days of summer until August 25.



Glyn Genin

Sydney Opera House: artistically engineered by Peter Rice

He has called his show "Exploring Materials". It is no dull display of technical ephemera, but rather an insight into the creative processes of engineering that lie behind many important new buildings. The Opera House in Sydney, Australia; Lloyd's of London; the De Menil Collection in Houston, Texas; La Villette and La Défense in Paris; the Pavilion of the Future in Seville, Spain, and many more. Each one of these remarkable buildings demonstrates that the process of conceiving a structure is in itself an art.

I think that this is true because the whole process of structural engineering is not simply the product of deductive reasoning but is also the response to an inspiration or an intuition. The question of whether it is the architect or the engineer who is the true artist is more difficult to settle. Did the inspiration for the dramatic concrete sails of the Sydney Opera House come from Jorn Utzon, the architect, or from Peter Rice, the engineer? When you look at the daring spans of bridges in the Alps by the Swiss engineer Maillart, or the drama of engineering works by Isambard Kingdom Brunel or Thomas Telford, there is no doubt that they are works of artistic and scientific genius.

But the artistic inspiration is also a manifestation of the engineer's search for truth. By examining materials for their reaction to torsion, compression, tension or bending, man is engaged in the search for truth. There is a diagram that can be drawn that explains the links between art, science and technology in the conception, creation and building of a form. Peter Rice's exhibition, and indeed his life's work, makes this process clear to the layman.

Perhaps engineers do not receive the credit they deserve because they are so often seen as collaborators, rather than creators. This is unfair because there is no doubt that engineers play a fundamentally creative role in the creation of original architecture. The reason for the dim public perception of engineering is because there are so many easily visible new buildings that are the result of neither architecture nor engineering – they are the product of the catalogue of the international building industry. It is the standardised mediocrity of so many building components that is the bane of the life of any good and innovative engineer or architect. Why else do we look at the Palm House in Kew Gardens or the glories of the roof of London's Paddington Station and wonder why we seldom do things so well today?

Speed has a lot to answer for. Time is money, as we are always being told, and that attitude takes its toll on the quality of both design and building. What the experimental nature of the work of someone like Peter Rice shows is that, in the excitement of analysing new ways of designing structures, he has succeeded in breaking out of industrial monotony. His design efforts at the Sydney Opera House, for instance, have resulted in a building that is as innovative as an early Gothic cathedral. By breaking the moulds of structural predictability Peter Rice is on the path of art.

One of the architects that is especially known for his collaborations with Peter Rice is Renzo Piano, the Italian architect. He was responsible, with Rice, for the brilliant design of the De Menil Art Gallery in Houston which used revolutionary materials – ferro-cement and ductile iron – in a revolutionary way.

There are two more Piano/Rice collaborations on the way. The great new airport in Japan, the Kansai International Airport, which looks like a giant bird or aircraft landing on a new artificial island, promises to be one of the great new buildings of the world. In a very different vein, a church dedicated to the stigmata saint Padre Pio in Puglia, in Italy, will be built of stone and will probably be a great domed basilica that can withstand earthquakes. There is a rare opportunity in the RIBA exhibition to see work in progress at a very early stage.

Peter Rice's work demonstrates that engineering, art and architecture form a unity and that contemporary building of any quality demands an understanding of all three activities. He is the enemy of standardisation and on the side of true creation.

London Promenade Concerts

Cleveland Orchestra

The airborne whooping of horns and trail of trumpets soaring aloft like rockets set this pair of Promenade concerts off to a flying start. There was little substance to Herbert Willi's Concerto for Orchestra, but it served the double purpose of providing a token sample of new music and showing off what a great orchestra can do.

Not that showing off is really part of the Clevelanders' nature. In the parade of American orchestras at the Proms, which has been one of the consistent pleasures of recent years, the Cleveland is unquestionably one of the leaders – not glossy like Chicago or Philadelphia, but a workmanlike orchestra, ready to take on the toughest musical material. Even in Ravel's *La Valse*, the supremely well-played encore to Saturday's concert, there was far more than just surface glitter.

All this is part of the Cleveland tradition. Long years with George Szell, the orchestra's music director from 1946 to 1970, trained the players rigorously in the demands of the classical repertoire and the present holder of the post, Christoph von Dohnányi, is able to draw on that deeply ingrained sense of style.

Dohnányi himself is in any case a conductor who knows his chosen music inside out. There were two German symphonies on the Saturday programme, Schumann's Fourth and Beethoven's Fifth, and he has mastered the workings of the nuts and bolts that drive along the symphonic engines of each. In both symphonies the exposition of the argument was remarkable. Every element could be clearly heard and its import weighed, even if the Beethoven was in the last degree too businesslike to become exciting.

The clarity was phenomenal again in Berlioz's *Symphonie fantastique* (the wind could always be heard even when they were playing in unison with the strings). But Dohnányi needs to let himself go more. This is a symphony which is about stretching the imagination and assailing the ear with strange and wild sounds. The wailing clarinet and House-of-Dracula tolling bells in the Witches' Sabbath had the right idea, but in the rest the disciplinarian in Dohnányi kept too sober a grip on the music.

There were two solo vocal contributions. On Saturday José van Dam was the baritone soloist in Mahler's Rückert Lieder, ideally placed in a diaphanous orchestral cloak by Dohnányi and bringing an effortless gravity of expression to the five songs.

The treat of the two concerts, however, came the night before when Anja Silja joined the orchestra for a razor-sharp performance of Kurt Weill's *Seven Deadly Sins*. Supported by a fine male quartet, she declaimed Brecht's moral tale of a journey through the evils of capitalism with immense authority and dramatic soprano strength. Unlike some interpreters of this piece, she and Dohnányi never sought to cheapen the music. And that, indeed, could be the watchword of everything that we heard in these two evenings.

Richard Fairman

Cleveland Orchestra's appearance sponsored by the Ameritech Foundation and the Ohio Bell Foundation.

Theatre

The Elephant

In Hampstead, the young Wave Theatre Company have inaugurated what they hope will be a continuing series of modern Japanese plays in translation. Their first choice is Betsuyaku Minoru's *The Elephant*, a piece written 30 years ago about people who survived the Hiroshima blast, only to succumb long afterward to radiation sickness. Most of it is set in a hospital, which makes the little theatre in the New End Hospital a specially suitable venue.

On the face of it, the English version by David G. Goodman sounds plausible enough – but the manners of the play remain desperately obscure. Perhaps the English is *too* plausible, for the cast treat their roles as familiar British types: Jonathan Coyne plays the dying uncle, the "Invalid", like a broad Jewish comic, and one bizarre scene of casual murder comes out of undergraduate revue. It becomes impossible to guess which of Minoru's fancies are intended to be surrealist, and which other puzzles are the results of severe cultural dislocation.

Nothing in the play seems to explain its title – unless the "elephant" is the uncle himself, weirdly proud of the "keloid" on his back, a carapace of scar tissue. The dialogue is full of sub-Ionesco repetitions: is that a device, or just Japanese naturalism?

The theme of *The Elephant* is plain enough, a confrontation between the indomitable (and indomitably foolish) Invalid and his nephew "Man" (Alex Harland), who prefers to suffer quietly and passively. Until the last half-hour or so, at least: then, an endlessly recycled screaming-match between them becomes actively unpleasant. Tim Keenan's production looks smooth enough, and the young actors playing older roles do their best; but this is a case of East meeting West with a dull thud.

David Murray

Correction

Shades

The caption under the photograph accompanying the review of *Shades* at the Albery Theatre in Saturday's *Financial Times* wrongly described the boy as Matthew Steer. It was Ben Chapman. The two boys are alternating in the part. We apologise.

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ AIX-EN-PROVENCE

The final week of the festival offers a last chance to see Robert Carsen's production of Britten's A Midsummer Night's Dream (tonight), The Rake's Progress with Samuel Ramey, Dawn Upshaw and Tatiana Troyanos (tomorrow and Thurs), and Don Giovanni conducted by Armin Jordan (Wed and Fri). Dawn Upshaw gives tonight's song recital, followed tomorrow by Andreas Schmidt. Tonight's other attraction is Haydn's Creation in the **Cathedrale Saint-Sauveur.** Ends July 31. (16) 4217 3434.

■ AVIGNON

Pier Paolo Pasolini's Calderon, adapted for the stage by Jean-Paul Manganaro and directed by Jean-Louis Martinelli, runs until Fri at the **Salle Benoit XII.** A new play on a Mexican theme by Georges Lavaudant is showing daily at Les Taillades. Alain Maratrat's Zarzuela show, premiered at this year's Vienna Festival, can be seen at the **Cour Hotel Dieu** daily till Fri. There are also late evening programmes of Mexican dance at the **Cloitre des Celestins.** Ends Aug 3. (90) 862443.

■ BAYREUTH

There are no new productions this year. This week sees the completion of the first of three Ring cycles (tonight, Wed and Fri). Daniel Barenboim conducts Harry Kupfer's 1988 production, with Deborah Polaski as Brunnhilde in the first cycle, followed by Anne Evans in the remaining two. Other major roles are sung by John Tomlinson, Nadine Secunde, Gunter von Kannen, Graham Clark and Siegfried Jerusalem. Danish tenor Poul Elming, who sings Siegmund in The Ring, takes over the title role in Parsifal for most of this year's performances, opening on Sun. Bernd Weikl sings the title role in Dieter Dorn's cool, intellectual 1990 production of Der fliegende Hollander on Sat and next Tues. Wolfgang Wagner's 1985 Tannhauser production, conducted by Donald Runnicles, can be seen next Mon. Ends Aug 28. (921) 20221.

■ BREGENZ

This summer's show on the floating stage is a revival of Jerome Savary's production of Carmen, with casts including Sally Burgess in the title role and Edmund Barham as Jose (tomorrow, Wed, Fri and Sat).

In the **Festspielhaus,** Vladimir Fedosseyev conducts Harry Kupfer's new production of La Damnation de Faust, with David Kuebler in the title role (Thurs and Sun).

Tonight's Vienna Symphony Orchestra concert, featuring works by Bruckner and Zemlinsky, is conducted by Ulf Schirmer. Ends Aug 23. (5574) 4920 224.

■ LA ROQUE D'ANTHERON

La Roque d'Antheron, 50km from Avignon and Marseilles, is the attractive setting for an annual piano festival, which opens on Saturday with an orchestral concert in the **Parc du Chateau,** featuring Nelson Freire with the Orchestre National de Lyon conducted by Emmanuel Krivine. Francois-Rene Duchable is soloist in Sunday's concert by the French Youth Orchestra under Marek Janowski. Zoltan Kocsis gives a piano recital on Monday. Next week's other recitalists are Rafael Orozco, Joaquim Achucarro and Chick Corea. Krystian Zimerman is soloist with the Orchestre Philharmonique de Montpellier on Aug 7. The programme continues daily till Aug 23. (Festival de Piano, Chateau de Florans, 13640 La Roque d'Antheron. Tel 16-4250 5115).

■ MONTPELLIER

The final week of this year's Radio France festival includes a concert performance tonight of Alberto Franchetti's 1892 grand opera Cristoforo Colombo with Paolo Coni in the title role; a concert by the French Youth Orchestra tomorrow featuring Anna Tomowa-Sintow as soloist in Wagner's Wesendonck Lieder; an Orchestre de Paris concert on Wed featuring Rakhmaninov's Second Piano Concerto and Scriabin's Second Symphony (conducted by Jerzy Semkov); and a performance of Franz Schmidt's Fourth Symphony on Thurs, conducted by Heinz Wallberg. (67) 616681.

■ PESARO

Pesaro, birthplace of Rossini, lays on a suitably generous spread for this year's bicentenary. Il barbiere di Siviglia opens the festival on Fri (also Aug 2, 5, 8), followed on Sat by Semiramide, conducted by Alberto Zedda (also Aug 4, 7, 10). La scala di seta opens next Mon (also Aug 5, 7, 9), and Claudio Abbado returns to conduct Luca Ronconi's all-star production of Il viaggio a Reims on Aug 16 and 18. Next week Riccardo Chailly conducts two performances of the rarely-heard Cantate per I Borboni. Ends Aug 18. (721) 33184.

■ SALZBURG

The first full week of this year's festival has daily performances in the **Felsenreitschule** of Peter Stein's production of Shakespeare's Julius Caesar, plus Stanislav Wyspianski's play The Wedding directed by Andrzej Wajda in the **Landestheater.** In the **Kleines Festspielhaus,** Riccardo Muti conducts Ursel and Karl-Ernst Herrmann's new production of La clemenza di Tito, with Ben Heppner in the title role (tonight, Wed and Sat). Claudio Abbado conducts a new production of Janacek's From the House of the Dead, opening on Thurs in the **Grosses Festspielhaus.** There are song recitals by Dmitri Hvorostovsky tomorrow in the **Mozarteum,** by Felicity Lott in the Mozarteum on Sun and by Jessye Norman in the Grosses Festspielhaus, also on Sun. This week's orchestral concerts in the Grosses Festspielhaus are conducted by Christoph von Dohnanyi (tonight, Wed and Fri), Nikolaus Harnoncourt (tomorrow), and Simon Rattle (Sat). Next week: Solti conducts Die Frau ohne Schatten. Ends Aug 30. (662) 846682.

■ SCHLESWIG HOLSTEIN

The King's Singers can be heard tonight in **Wotersen** and on Fri in **Rellingen.** Evgeny Kissin gives a piano recital tomorrow in Elmshorn. Simon Rattle brings the CBSO to Kiel tomorrow and Hamburg on Wed. Weekend recitalists include Peter Schreier at Heide and Kiel. Next week: Schreier and Prey repeat their programmes in other parts of the region, plus concerts by Jessye Norman and the Stockholm Sinfonietta. Ends Aug 23. (431) 567080.

■ TANGLEWOOD

The Boston Symphony Orchestra's summer home hosts concerts every weekend throughout the summer, with occasional weekday events. John Browning plays Prokofiev's Third Piano Concerto in Friday's concert conducted by Leonard Slatkin. Seiji Ozawa conducts Saturday's programme of Druckman, Bach and Tchaikovsky, and Yo Yo Ma is soloist in Dvorak's Cello Concerto on Sunday, conducted by David Zinman. Next week's artists include Charles Dutoit, Kathleen Battle and Thomas Hampson. Ends Sep 1. Ticketmaster Boston (617) 931 2000 New York City (212) 307 7171.

■ VERONA

This year's operas at the **Arena** are Don Carlo, Aida, La boheme and Nabucco. Cecilia Gasdia sings Mimi in this week's performances of the Puccini (tomorrow and Sat), alongside Neil Shicoff's Rodolfo. Monica Pick-Hieronimi sings the title role in Aida (Wed, Fri and Sun), and Don Carlo on Thurs is conducted by Gustav Kuhn. Nabucco, with a cast led by Piero Cappuccilli and Linda Roark-Strummer, opens on Aug 7. Lorin Maazel conducts Porgy and Bess on Aug 24. Ends Aug 30. (45) 590109.

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday July 27 1992

Dealing with Mr Saddam

THE SIGHS of relief in western capitals last night, after Iraq had climbed down in the crisis with the United Nations over weapons inspections, were almost audible. After Baghdad's agreement to UN demands that a team of inspectors be allowed in to its agriculture ministry, the immediate threat of punitive military action by the US and its allies appears to have receded. But the west has won at best a symbolic victory; and Baghdad's behaviour means that the danger of renewed military action has by no means disappeared.

The latest bout of brinkmanship between President Saddam Hussein and the UN underlines once again the challenge the Iraqi leader poses to international order by his flouting of the security council resolutions which provided for a ceasefire in the Gulf war last year. Unless he follows yesterday's agreement with a clear indication that he is prepared to respect the will of the international community on a broader front, it must be only a matter of time before another confrontation similar to that of the past few days arises.

If and when that confrontation comes, western governments will again have to think carefully about their objectives. It became clear during the stand-off in the past week that purely punitive action would have brought at best highly uncertain benefits and would have entailed considerable risks.

Broader objectives

What can be achieved militarily in this respect has long since been done, and as Mr Rolf Ekeus, the UN official in charge of inspection programmes, has admitted, whatever documents or other material were being stored in the agriculture ministry will almost certainly have been moved elsewhere. Western government have thus found themselves inevitably focusing on broader political objectives.

Indeed, as the confrontation over the inspection team intensified, Mr James Baker was careful to draw attention to Mr Saddam's other acts of defiance towards the UN: notably his continued attacks on the Shia population in the south, his violent harassment of UN relief workers in Kurdistan, and his renewed claims to Kuwait's territory. Whereas many Arabs have some sympathy for Mr Saddam's efforts to build up Iraq's military strength, arguing that at least similar attention should be paid to Israel's nuclear arsenal, there is little admiration even within the Arab world for his treatment of the Iraqi population, or for his invasion of another Arab state. Whatever happens next, it is vitally important to the whole world that the proliferation of weapons of mass destruction should be halted, in Iraq as elsewhere, and that UN resolutions should not be violated with impunity.

Aggressive actions

The latter point is more important than ever at a moment when the international community is striving to convince the Serbian leadership of the risks it runs by continuing its aggressive, if not genocidal, actions against the Moslems of Bosnia. Those who violate the terms of a ceasefire expose themselves to a resumption of hostilities, and cannot escape the responsibility for it.

But Mr Saddam's responsibilities go even further than that; and the impossibility of achieving peace and stability in Iraq and its surrounding region while he remains in power has been amply demonstrated. Therefore if renewed military action by external powers should eventually be necessary in Iraq, it should have the clear purpose of protecting Iraqis against his brutality, and assisting those who are brave enough to resist him.

It has already been shown that allied air power can preserve a "safe haven" for the Kurds in the north, simply by threatening punitive strikes against any military forces that Mr Saddam sends into the area. There is a similar need to protect the Shia refugees who are still holding out, against ever increasing military pressure, in the marshes of the south.

If more of Iraq's territory were to be placed off limits to Mr Saddam's repressive forces, the west might be seen as promoting not Kurdish separatism but security and freedom for Iraq as a whole, and the forces still supporting Mr Saddam might realise that their best hope of preserving Iraq's unity is to get rid of him and to seek agreement with his opponents in both north and south.

Controlling EC mergers

BY CHALLENGING Nestlé's recent takeover of Perrier on the grounds that it would result in a duopoly of the French mineral water market, the European Commission has significantly broadened the scope of EC merger policy in a way that will potentially affect a wide range of industries. Brussels argues that the consumer interest is served by strengthening controls to cover deals that would create duopolies as well as those which give just one company a dominant position. However, the methods it has used to assert this principle, and its application in the specific Nestlé-Perrier case, raise serious concerns.

Sir Leon Brittan, the competition commissioner, says he is merely fleshing out the 22-month-old EC merger regulation by bringing it into line with the practices of national merger authorities, notably in Germany and the UK. He has also indicated his intention to apply the new principle pragmatically. The creation of a duopoly would not, as in Germany, automatically give rise to a presumption that a merger should be prohibited. Instead, Brussels would in each case base its judgment on the likely impact on future competition.

This was broadly the approach adopted in the Nestlé-Perrier merger. However, the Commission's methodology and judgment appear curiously inconsistent. For instance, it cites the relatively low prices of mineral water in France as the reason why there is little competition from "parallel" imports there. Yet the thrust of the Brussels objections was that the merger could result in higher prices, which would be likely to encourage such imports.

Limp slap

Brussels also says the high marketing costs of developing new brands inhibit market entry. However, its remedies require Nestlé to dispose only of some minor brands and unexploited springs. Finally, Nestlé and BSN of France have been left controlling together about three-quarters of current French mineral water sales. After all Brussels' strictures about duopoly power, this outcome seems a limp slap on the wrist.

But the most serious issue is not whether Brussels is applying its new-found duopoly criteria too leniently, but whether it has the authority to invoke them at all. The merger regulation speaks only of controlling "concentrations" which create or strengthen a dominant position. Sir Leon insists this wording covers duopolies. However, many independent lawyers disagree. They argue that if the authors of the regulation had intended it to be used in this way they would have said so explicitly – as is the case with German competition law. In the circumstances, it is particularly unsatisfactory that the Commission should assert the duopoly principle by introducing it without warning into a pending merger case. Nestlé is justified in complaining that Brussels has unilaterally moved the goalposts while a game is in progress.

Unpredictable manner

At the very least, this turn of events threatens to create heightened business uncertainties. Because the new approach to duopolies has not been spelled out as a general principle, but has grown out of one specific case, prospective acquirers in the EC cannot be sure how it will apply to them. Furthermore, the Commission's conduct on this occasion raises the unsettling possibility that it will use future cases in an equally unpredictable manner to establish other precedents which expand its power.

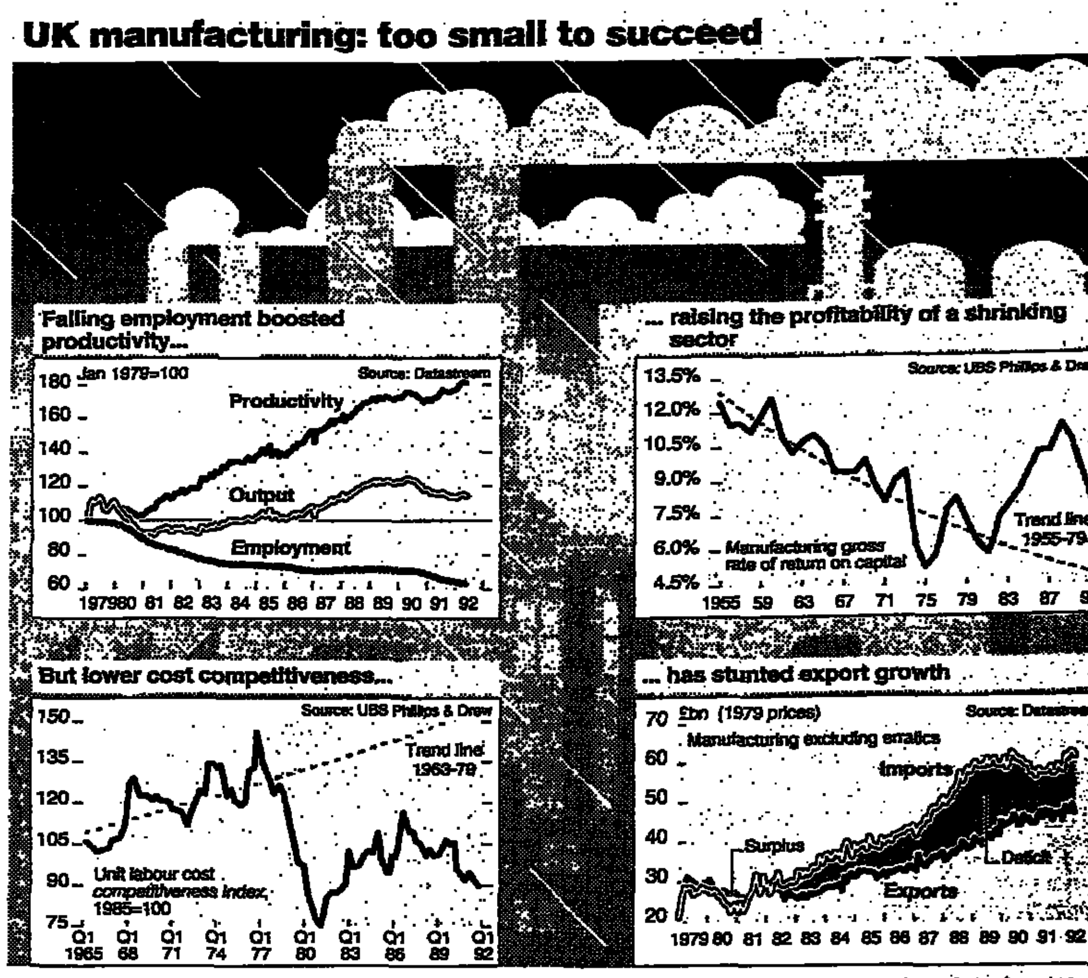
The situation demands urgent clarification by the European Court of Justice. However, no party to a merger is likely to seek such clarification unless the deal has been blocked by the Commission. So the only way to guarantee an early test of the new policy may be for an EC member government to exercise its prerogative to appeal to the Court.

Ideally, the Commission itself should request a speedy Court review of its interpretation of the regulation. Indeed, it is in Brussels' own interest to do so. For merger control to command confidence, it must operate within a framework that ensures that it is fair, consistent and accountable. Any suspicion that Brussels is intent on enlarging its power by taking controversial policy decisions on the hoof undermines those objectives.

Edward Balls asks whether the UK's manufacturing sector is strong enough to respond to economic recovery

Too lean for a long life

UK manufacturing: too small to succeed



Britain's manufacturing industry may be lean, fit and competitive; but it is getting leaner by the week. After two deep recessions in little more than a decade, the UK's export industries may be too small to sustain anything more than sluggish recovery.

The government's anti-inflation medicine is certainly hurting. The recession started in the service sector; but, as it has lingered, the damage to industry has grown more severe. Manufacturing output has fallen by 7.8 per cent since the recession began, a fall three times deeper than that in service sector output. In the past fortnight, two more machine tool companies – the Beaver group and Matrix Churchill – have gone into receivership.

Yet the cries of pain from Britain's manufacturers have been surprisingly muted. The latest economic forecast from the Engineering Employers Federation paints a gloomy picture of falling employment and sluggish growth over the next 12 months. But most industrialists support the government's low inflation strategy and want to stay in the exchange rate mechanism.

Mr Neil Johnson, the federation's new director-general, is typical. A "short-term quick fix" would be counter-productive, however attractive. "It is vital for 'UK plc' that we remain in the ERM at the current level and get as close to the heart of the European market as possible."

Why are manufacturers so confident that they can endure the pain? Many believe that in the 1980s the efficiency and competitiveness of British manufacturing industry was transformed. Productivity grew by an average 5 per cent a year, compared with just 0.9 per cent between 1975 and 1980. Only Japan, among the main industrialised countries, had a superior productivity growth record. Profitability was higher than at any time since the mid-1960s; and Britain became a magnet for foreign investment.

Even the performance of the export sector has improved since 1981, relative to that in previous decades. The share of UK manufacturing in total world exports stabilised after 1962, albeit at a sharply reduced level in comparison with the early 1970s. Mr Bill Martin, economist at UBS Phillips and Drew, finds that the responsiveness of UK export volumes to changes in world trade was greater than at any time after 1955.

"British industry achieved considerable success under the industrial policies governments pursued in the 1980s," argues Mr Walter Eltis, director-general of the National Economic Development Office and soon to be chief economic adviser to Mr Michael Heseltine, the trade and industry secretary. Falling capital investment must impede the rejuvenation of British industrial competitiveness. But for optimists such as Mr Eltis, it is a price worth paying for low and stable inflation.

"ERM membership together with a reduction in UK inflation to the best levels achieved in Europe will create the underlying economic environment for a sustained and durable period of expansion," he argues.

There are dissenting voices. Mr Martin Taylor, managing director of Bridgeport, one of the UK's largest machine tool companies, fears that the recession and the accompanying collapse in investment are doing "irrevocable and irretrievable" damage. "If you do not invest, you do not compete... You cannot stop investing for three years and then expect to be competitive when the recovery comes."

Mr Taylor wants more than just ministerial stroking from the new management at the Department of Trade and Industry. A package of investment incentives to help recovery would be better. But even Mr Taylor refuses to join the growing chorus of economists calling for a sterling devaluation.

Yet how sound are the achievements of the 1980s? Is manufacturing industry in a state to lead a sustained upturn when consumer spending picks up?

Productivity growth was rapid. But the bulk of the gain in output per head was achieved by shedding jobs rather than increasing output and investment. Manufacturing employment has fallen by a third since 1979, while the real value of manufacturing output only recovered to 1979 levels in 1987. The share of manufacturing output, relative to gross domestic product, has shrunk from 28.2 per cent in 1979 to 22.4 per cent in 1991.

Most of this loss in output occurred during the last recession when a sterling appreciation, encouraged by North Sea oil output and high interest rates, reduced export competitiveness of manufacturing by 50 per cent in four years. Despite some gains in the 1980s, exports remain much less cost-competitive than in the 1960s or 1970s.

A harder look at the international comparisons shows that the UK still lags on measures other than cost competitiveness. While UK productivity was catching up with its competitors, it started a long way behind. German manufacturing productivity was 151 per cent of British levels in 1979. Even in 1990, it was still 19 per cent higher.

More worryingly, UK productivity gains were dissipated through high real wages. "The 1980s were an excellent decade for living standards for the great majority of those associated with industry, whether they were workers, managers or shareholders," says Mr Eltis. But the British paid themselves so well that it was not profitable enough to invest in the UK in sufficient quantities to arrest the shrinkage of the manufacturing sector.

Real wages in UK manufacturing grew at an annual rate of 2.6 per cent in the 1980s, outstripping real wage growth in all the UK's five largest industrialised competitors. A recent NEDC study of the UK engineering industry finds that the share of value-added output paid to employees in 1989 was still higher than in Germany, France, Italy or Japan, though not the US.

Not surprisingly, the rate of return on capital remained lower than in any of these five countries, in spite of the partial recovery in UK profits. Business investment also grew more slowly in Britain.

Britain's manufacturing industry, provider of just over 60 per cent of UK export earnings, consequently remained too small to support its citizens' appetite for imports. The manufacturing trade deficit increased during the decade as the growth of import volumes outstripped exports. While the 1980-81 recession produced a current account surplus of 5 per cent of GDP, after eight quarters of recession the current account is in deficit by nearly 2 per cent of GDP.

The shrunken manufacturing sector and the existence of a trade deficit, at the bottom of the recession, suggest that the UK economy may experience difficulties when the recovery finally arrives. "A consumer-led expansion without manufacturing investment would generate imports without the means to pay for them," argues Mr Ian Thompson, economic adviser at the EEF.

Unless those imports are predominantly capital goods, the foreign exchange markets may become nervous at a growing deficit and demand higher interest rates to compensate for the devaluation risk. "The size of the manufacturing sector will be a constraint on the pace of the recovery through the balance of payments," he says.

Implicitly, Mr Thompson is arguing that sterling is overvalued within the ERM: UK real wages relative to other countries are too high to make it profitable for enough companies to sell produce in Britain at the current exchange rate.

Is sterling overvalued? The simple answer is that nobody knows. Most of the standard tests of exchange rate overvaluation confuse, rather than enlighten, the debate. Model simulations of the exchange rate needed to maintain a sustainable pattern of capital inflows point towards overvaluation. But the recent forecasting record of macro-economists does not inspire confidence in their models.

Purchasing power parity exchange rate measures add little value. The PPP method estimates an exchange rate at which traded goods prices would be equivalent in different countries. On this basis, sterling is correctly valued against other European countries, but overvalued against the US dollar.

Yet currencies often diverge for years from these notional PPP rates, which tend to bear little relation to trade performance. Calculations by Goldman Sachs, the US investment bank, suggest that the only time the dollar was correctly valued in the last 15 years was in 1984-85, when it was at the peak of a speculative bubble, and the trade deficit was growing.

Nor does the fact that industrialists are not complaining about the value of sterling add much of interest. The only reason they are still producing is that they are profitable at that exchange rate. They might complain about changes in the rate, but not the level itself. The businesses that might be producing at a lower real exchange rate have gone.

Overvaluation does not imply that existing manufacturers are on the verge of bankruptcy, but that they are too thin on the ground. The shrunken size of the manufacturing sector, the unusual phenomenon of a substantial trade deficit at the bottom of a recession, the high level of UK long-term interest rates and the reliance on short-term capital inflows to fund the deficit, all these suggest overvaluation.

The feeble performance of the export sector during the recession also suggests that British companies have found it difficult to shift production to foreign markets as domestic demand has fallen. There have been exceptions: annual car export volumes rose by 183 per cent between 1988 and 1991. But cars make up less than 5 per cent of total exports. Overall, the UK export performance has been disappointing, particularly in comparison with Japan, where companies have responded to sluggish domestic demand growth by boosting exports. Japanese export volumes grew 5 per cent in 1991 compared with 6.4 per cent in the US and 0.7 per cent in the UK.

Whether a sterling devaluation would reduce UK real wages or simply generate higher inflation to offset the gains in cost competitiveness is another matter. But until recovery comes, economists can only guess how long foreign exchange markets will tolerate a large UK current account deficit. As Mr Thompson explains: "Ultimately the only way you can measure it is to see whether the export capacity grows to meet the import demand that the recovery brings." When, that is, recovery finally arrives.

Samuel Brittan

Spending: a new try

Two out of every five pounds spent in the UK come from central and local government. Sixteen years ago the proportion was £5 out of every £10. You do not have to be a rugged opponent of all collective spending to realise that the present proportion is high enough, or to realise how easily we could drift back to the proportions of the mid-1970s, or even higher. You only have to listen to the large number of claims by pressure groups uncritically reported on BBC Radio 4 and Radio 3 every morning saying that this or that worthy cause needs to have much more spent upon it.

There is no uniquely right method of controlling the public purse. Since the Plowden committee reported in the early 1960s, there have been periodic shake-ups in the system. As spending departments have become adept at working one control system to their advantage, the Treasury has devised new systems which they may not immediately be able to exploit. Thus, most of the reforms are welcome; but there is no point in going over the top and disparaging the previous system whenever a new one is introduced.

Just as predictably, the popular media become excited by talks of "cuts", when there have been no overall cuts since the Labour government negotiated with the IMF in the mid-1970s. The so-called cuts are simply reductions in planned rates of increase. If there are cuts in specific programmes – such as unpledged social security benefits – it will be to make room for larger increases elsewhere, eg in health and education.

Ever since Plowden, public spending plans have been based on rolling forward looks. The problems arise in translating these projections into hard plans for the year immediately ahead. In recent years, the cabinet has tended to take the tentative cash total in the projection for the year immediately ahead and ask ministers to stick as close to it as possible. Bids for up to £14bn more have been made in most years, as a matter of political virility, and the Treasury has usually managed to cut down these excess bids by about two-thirds, sometimes with the aid of a group of senior ministers called the Star Chamber.

Public spending will always be a compromise between a top-down and bottom-up approach. The new

PUBLIC SPENDING
Control Total
(% increases)

	Nominal	Real	Inflation*
1993-94	5½	2¾	2¾
1994-95	3	¾	2¼
1995-96	3¼	1	2¼

*GDP deflator

system announced by the British chancellor, Norman Lamont, on Thursday is a round in favour of top-down. The cabinet will agree every year on a firm ceiling; and the bargaining between the Treasury and departments will be about the allocation of an agreed total. The Star Chamber will be put to sleep – until it is reformed in a new guise – and the allocation will be made earlier in the year than the customary autumn by a committee headed by the chancellor.

A more detailed change is that unemployment-related social security benefits will be removed from the Control Total (up to now known as the Planning Total) which will then cover about 85 per cent of General Government Expenditure. This move seems sensible to help avoid the opposite errors of cutting dole payments in a slump and using recession as an excuse to give an upward ratchet to public spending.

There is a further and more vulnerable element in the new approach, which is to take more seriously the second and third years of the projections. Indeed, supposedly firm decisions have been announced for three years ahead; but we do not know exactly what they are, as the definitions of the new Control Total are still being negotiated in Whitehall.

The adjoining table gives, however, the picture as seen in terms of percentage increases. The idea is that, with a trend rate of growth of GDP at 2 to 3 per cent per annum, the trend growth of public expenditure must be less. The aim is an average 1½ per cent annual rise in the Control Total. Adding in other elements, General Government Expenditure is expected to rise by an average of 2 per cent.

But within the overall aim, the specific profile still looks like the hump-backed bridge characteristic of spending plans. There is a more generous real increase in 1993-94, the first year of the new system, owing to a drop in the Treasury's inflation projection. The reductions in planned increases are in the two subsequent years.

Clearly, the chancellor will not be able to stick to both his real and his nominal spending projections, unless he has miraculous good luck in predicting inflation. Faced with a conflict between the two, there has been a shift of emphasis towards real terms for the medium term, while using the cash total as a short-term weapon of control.

Whether all this will actually reduce the growth of spending in the medium term depends on political and economic pressure groups and the firmness of ministers, rather than on the technicalities of the control system.

Windows thrown open in a suffocating room

The Israeli government is winning friends in the US and the Arab world with its peace and settlements initiatives, says Hugh Carnegy

As Israel's new government moves into its third week in office tomorrow, its supporters are asking themselves how long Mr Yitzhak Rabin's remarkable honeymoon as prime minister can last. The weekend's ebb and flow of tension between Iraq and the UN illustrates how conflict can all too easily supersede talk of peace in the Middle East.

Nevertheless, the transformation since Mr Rabin took over has been impressive. Only a few weeks ago, under Mr Yitzhak Shamir, the previous prime minister, the country seemed to scowl at the rest of the world, stubbornly refusing to loosen its grip on the occupied Arab territories. At loggerheads with the US, its greatest ally and financial prop, Israel excited little sympathy even from its friends.

Mr Rabin's arrival at the head of coalition led by the Labour party has changed all that remarkably quickly. Within days of the government's installation, Mr James Baker, the US secretary of state, was in Jerusalem, conferring amiably with Mr Rabin and Mr Shimon Peres, his foreign minister, and publicly praising their commitment to Middle East peace talks.

In particular, Mr Baker welcomed their willingness to curb Jewish settlements in the occupied territories, the issue which, more than any other, had soured relations between Washington and Mr Shamir. The juicy reward of $10bn in US loan guarantees to aid absorption of mass immigration from the former Soviet Union – sought in vain by Mr Shamir – now seems assured.

The day after Mr Baker was in town, Mr Rabin was warmly welcomed in Cairo by President Hosni Mubarak, an honour the Egyptian leader never extended to Mr Shamir. And in a week or two, the prime minister is off to the US to see President Bush at his Kennebunkport holiday home. Chummy tennis games (Mr Rabin is a keen player) and boat rides are likely to be the public image of the meeting – unthinkable in the days when Mr Bush and Mr Shamir spoke through clenched teeth.

The change has largely been welcomed by Israelis: all the mainstream newspapers are backing Mr Rabin's initiatives. The opposition – especially Mr Shamir's battered Likud party – is still reeling from Labour's June election victory. Many government supporters bubble over with enthusiasm, now that the long years of battling with what seemed the Likud's eternal supremacy are over.

Build-up: workers in the West Bank on the day Israel agreed to curb settlements in the occupied territories

"I must tell you I'm so happy about what is happening," confided a woman in a Jerusalem record store on discovering her customer was a foreign correspondent.

"There is a great feeling of relief," said Mr Gideon Rafael, a former director-general of the foreign ministry. "It is as though we were a people suffocating in a closed room when suddenly someone threw open the windows."

It is not just that people are pleased at the restoration of diplomatic cordialities. Many of those who backed Labour and Meretz, its left-liberal ally in government, were afraid that the Likud's dogged ideological attachment to permanent Israeli rule over the occupied territories was leading towards a breakdown of the Middle East peace negotiations begun last October in Madrid. They feared that, ultimately, such a stance would precipitate another war between Israel and its Arab neighbours.

The Arabs remain sceptical of Mr Rabin, auguring difficulty when the peace talks resume

"I believe we saved the country at the last minute," said Mr Tzaly Reshef, a leading figure in the Peace Now movement.

Mr Rabin has not put it in such apocalyptic terms. But he has made it clear repeatedly since winning the election that he believes that Israel now has an opportunity to achieve peace with its neighbours and that it must be seized.

He sees the disappearance of Soviet influence in the region and the military subjugation of Iraq by the US and its allies as a priceless windfall for Israel. At the same time, however, hostility to Israel is still latent in the region and a new threat lies in the nuclear and other advanced weapons capability that may be accumulated by states such as Iran.

"I believe this situation will not exist forever. Either we exploit it or we might miss it," Mr Rabin said shortly after the election. Later he said: "A lot depends on what we do in the area of making peace, something which could help us get international participation, led by the US, in a war against nuclear arms proliferation."

Mr Rabin therefore wasted no time in setting out his store: settlements have been substantially frozen and the Palestinians and Arab states invited to engage in continuous negotiations based on an ultimate commitment by Israel to exchange occupied "land for peace" – the formula Mr Shamir always rejected.

But the prime minister is canny enough to know that the smooth ride he has so far enjoyed may give way to rougher terrain. The honeymoon at home is unlikely to last forever.

So far, the government has been pleasantly surprised by the lack of effective protests from the heavily armed Jewish settlers. But they still have the capacity to cause noisy and perhaps violent disruption through demonstrations both against the government and their Palestinian neighbours.

The Likud, too, will surely regroup. Mr Shamir is set to resign as party leader. An election for a successor will be held in December in wh[illegible] the front-runners will be M[illegible]nyamin Begin, son of th[illegible] late Menachem Begin, Likud's great founding hero, and Mr Binyamin Netanyahu, the energetic former junior minister.

Both profess deep commitment to the Likud ideology and will seek to rally opposition to what they regard as Mr Rabin's disastrous willingness to make concessions to the Arabs. Some newspaper commentators have already begun to voice anxieties that the government's moves on settlements have met only a cool reception in the region, failing, for example, to elicit any commitment to end the Arab boycott of trade with Israel in return, as the US has proposed.

The Arabs remain sceptical of Mr Rabin, auguring difficulty when the peace talks resume, probably next month. They are unhappy that, despite his commitment to giving up territory, Mr Rabin has said that it will not happen before Israelis have had another chance to vote on the question.

Under the structure of the peace talks as they were launched in Madrid, permanently giving up land will not be at issue until after an interim settlement with the Palestinians of the West Bank and Gaza has run for three years. Therefore, Mr Rabin says, it is almost certain another general election will be held in Israel before any decision is made on the final status of the territories.

What Mr Rabin and his allies in Israel are hoping, however, is that an interim agreement with the Palestinians can be negotiated which will prove sufficiently successful to persuade Israelis that a reversion to the Likud's expansionist ideology would be untenable, leaving Labour in the driving seat for many years to come.

OBSERVER

Great minds whatalike?

■ Readers will no doubt know the old Forces saying: "Once is happenstance, twice is coincidence, and three times is enemy action." While that's fine as far as it goes, however, what on earth is 607 times?

The question is raised by the response to the problem Observer posed last Tuesday, about why the small cowboy was grateful when, instead of handing him the glass of water he'd requested, the giant bartender drew a gun and fired into the air.

It was tackled by 654 people from 23 countries besides the UK, including a man from El Paso claiming to be the small cowboy in the case – a claim which, since he's evidently 5'10" tall and has the scarcely western name of Keith Pannell, is being taken with a pinch of salt.

Further occupations ranged from an ambassador and an archdeacon, through an avalanche of chief and other executives as well as their spouses and offspring, to the secretary general of the International Federation of Tiddly Winks Associations (no kidding!).

The oddest thing was that, although several of the 654 pointed out that such lateral thinking problems can have many different answers, no fewer than 607 all hit on the same one. It's that, until the gunshot served as shock-therapy, the small cowboy had been suffering from hiccoughs. And as the other suggestions, albeit ingenious, seem less plausible, the prize of a bottle of malt goes to the first of the 607 out of the hat: Stephen Allen of Britannia Airways.

But that still left Observer wondering how more than nine in every 10 entrants hit on an identical solution – until the latish arrival of an entry from a certain Paul Sloane. Yet another opting for hiccoughs as the answer, he adds: "It appears in my book Lateral Thinking Puzzlers published in 1991 by Sterling in the US and by Cassell in the UK."

Great minds *think* alike, my foot!

On the ball

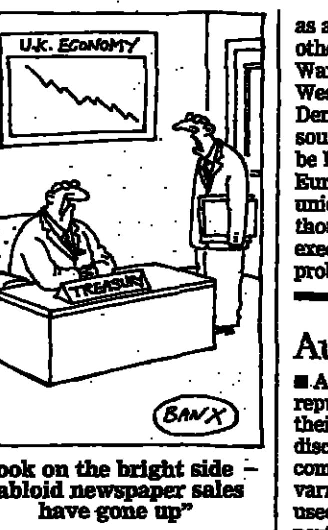
■ The Association of Management Education and Development (Southern region) has been canvassing its members on possible topics for future meetings. Amongst its suggestions – a session on astrology in individual development....

Arresting case

■ Howard Davies, the CBI's high profile new director general, has an intriguing explanation for the bizarre affair of Alison Halford and her inability to win promotion in the Merseyside police force.

Davies, a former boss of the Audit Commission, blames a manpower control system operated by the Home Office under which police forces can bid each year for the right to employ additional officers. Every year some new constables are allocated. "There is no provision in the system for police numbers to fall, ever", says Davies, in a column in last Friday's Evening Standard.

As a result of this system there are now almost twice as many policemen per thousand inhabitants in declining Merseyside as in Cambridgeshire, where the population is growing. Merseyside is the most intensely policed area in the country. "No wonder they have to find exotic ways of passing the time", says Davies.



"Look on the bright side – tabloid newspaper sales have gone up"

Indeed, he calculates that if present trends continue there will be only policemen left in Merseyside 60 years from now and if they do not recruit any women the force will die out.

Union block

■ Still on the subject of women's career prospects (or lack of them), one wonders how much longer Britain's elderly trade unions can march out of step with the new look Labour party.

On the same day last week that Labour elected a record number of women to its front-bench team – it leads the Government five to two on this score – Diana Warwick resigned as general secretary of the Association of University Teachers. Not so long ago there were four female trade union bosses. Now there is only one – Elizabeth Symons of the Association of First Division Civil Servants.

Sogat's Brenda Dean and Helen McGrath of the National Union of Hosiery and Knitwear Workers, both lost their jobs as a result of mergers with other unions and 47-year-old Warwick is off to run the Westminster Foundation for Democracy. Interestingly, it sounds like Unison, which will be Britain's biggest union and Europe's largest public service union, will be run by men even though two-thirds of its executive committee will probably be women.

Austracised

■ Australia's simmering republicans are sharpening their claws. They have discovered that acetate – commonly found in nail varnish remover – can be used to remove the Queen's portrait from the plastic five dollar note issued earlier this month. Some are replacing the portrait with slogans such as "Republic now" and "Caroline Chisholm Rules!", a reference to the 19th century pioneer whose portrait appeared on an earlier design.

Leaders of the Australian Republican Movement seem unsure how to react. Author Thomas Keneally is carefully sitting on the fence; he understands why activists are defacing the notes, but wouldn't do it himself, he says.

Ironically, Chisholm was an Englishwoman who spent only a few years in Australia before returning to England where she is buried.

For love alone

■ The sing has been put back into Singapore with the lifting of its official ban on buskers, but they had better refrain from numbers like "Buddy can you spare a dime?"

All they can earn from street entertainment is "psychic income", says National Arts Council chairman Tommy Koh. Any cash coming their way must be given to charity.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Means exist to maintain discipline in the City

From Mr Christopher Sharples.

Sir, Those who are calling for an alternative to massively expensive and in the final analysis often futile court cases concerning alleged wrong-doing in London's Square Mile should not overlook the potential of the existing disciplinary powers available under the Financial Services Act.

Regulatory bodies such as the Securities and Futures Authority (SFA) are empowered to carry out disciplinary actions against firms and/or individuals. Penalties that can be imposed on those found to be in breach of its rules include very substantial fines, compensation to clients, restrictions on individuals' activities in the future, the closing down of firms, and the prohibition of individuals from returning to the industry either for a period or perhaps for ever.

The process used by SFA to decide on the culpability of an alleged offender is fair yet expeditious. Its tribunals are chaired by eminent lawyers with assistance from practitioners and independent members of SFA's board and others. Legal argument, and hence costs, are kept to a manageable level and there is no charge to the taxpayer as the cost of the process is met by those regulated. The level of proof is much less onerous than in a criminal trial and the standard by which the defendant is judged owes as much to the spirit of the intention of the rules as to the detail of the rules themselves. The overriding requirement of behaviour in accordance with best market practice and the placing of client interests first are examples of the key principles involved.

Custodial sentences can certainly be justified in cases where there has been outright fraud or theft of client assets, but when the alleged offences are more akin to breaches of City codes of conduct, then the use of criminal prosecutions through the courts is inappropriate. Far better to use the alternative that is already available and has already proved itself, but whose process is blocked once criminal proceedings are begun.

Christopher Sharples,
The Securities and Futures Authority,
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Sterling revaluation suggested by Bank's choice of funding

From Mr P A Amery.

Sir, On July 21 the Bank of England raised Ecu50m in three-year Treasury notes at a yield of 10.04 per cent. At close of business on that day the benchmark three-year gilt (Exchequer 10¼ per cent July 21 1995) was yielding 9.64 per cent on an annual basis.

Might I ask why the UK monetary authorities see fit to fund in a foreign currency, at an extra cost to the taxpayer of 0.4 per cent per annum, at a time of great concern about the public sector deficit? Perhaps the Bank of England is planning an upwards revaluation of sterling, which is the only scenario under which this funding method makes sense?

P A Amery,
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London N1 2LT

MMC must find solution to gas pipeline returns

From Mr Ian Powe.

Sir, Your report "British Gas to separate top jobs" (July 23) quotes the chief executive (designate) as not ruling out a referral to the Monopolies and Mergers Commission if no agreement is reached about rate of return on pipeline assets.

From the customers' point of view, a referral is overdue. Only the MMC can adjudicate between recent conflicting judgments by OFT, Ofgas and government.

The effect on an integrated industry of these piecemeal decisions, and of British Gas's meek acceptance of all of them, is likely to be higher gas prices for industry, commerce and households. The two main reasons are these:

- British Gas accepted Ofgas's setting of a tough value of X, in the (RPI – X) domestic price cap formula, on a basis of planned cost-saving programmes and of earnings from a large market share. That share has been sharply reduced by OFT edict, in the industrial market, and by a government decision to lower the volume threshold of household supply monopoly. The case for price cap review, in British Gas's favour and against the consumer interest, is worryingly strong while British Gas also faces additional costs in a separate pipeline and storage unit.
- About 50 per cent of gas sales to industry are by interruptible contract. It is popular with customers, because it is cheap, and it is valuable but not essential to British Gas as a means of meeting peak domestic demand. But it is of no present interest to competitors; British Gas cannot substantially reduce its share of the industrial market except by putting up the price of interruptible gas.

Paradoxically, the government's headlong rush to introduce competition is accompanied by risk of higher prices. Sir James McKinnon, director-general of Ofgas, cannot allow a high rate of return if, in consequence, British Gas's marketing arm faces extra costs for carrying gas along the pipelines of the separate transportation unit, created by OFT, which it will be entitled to pass on to consumers. The MMC must look at the apparently different objectives of the three regulatory players to find a solution that is in the public interest.

Ian Powe,
director,
Gas Consumers Council,
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15 Wilton Road,
London SW1V 1LT

Press for pensions accounts

From Mr Clive Nathan.

Sir, Having read the letters in your journal concerning the failures of the professionals involved in the pensions industry, together with the many suggestions for solutions, perhaps I could offer yet another.

Government reviews take a long time and during this period of delay little will change unless members of existing pensions funds take up the initiative.

The "wealth" of some pension funds is often more than the value of the company that has appointed the trustees, who are often the owners in control both of the company and their employees' future.

All companies with a pension fund should volunteer to make available an audited copy of their pension fund accounts. Any company that does not should be pressed by the pension scheme members to provide this information to which they are entitled by existing law. Perhaps if this programme gathered momentum those concerned would suffer less.

Clive Nathan,
Postfach 1611,
D-W-8990 Lindau (B),
Germany

Right project for taxpayers

From Mr Sam Briddes.

Sir, Your leader on the Jubilee Line extension ("Transport in Docklands", July 22) is timely. With current spending restrictions, the question is whether the taxpayer should commit any money at all to building a tube extension that few people actually require.

The Central London Rail Study recommended "East/West Crossrail" as a first priority to meet present needs. If the taxpayer is to spend mega-money on railways, Crossrail should be the chosen project.

Sam Briddes,
76 Boston Place,
London NWQ1 6EX

Commitment to information centre needed

From Mr M Riley.

Sir, I find it confusing, to say the least, that with the extensive publicity surrounding the UK presidency of the Council of Ministers of the European Community, the future of the Centre for European Business Information in London should still be a matter of debate and discussion.

Surely it would be embarrassing that such a centre, part of a network of more than 200 European information centres operated in partnership with the European Commission throughout the Community and one of only a small number funded directly by a government agency in the EC, should be threatened with closure at such a time, with the single market close at hand.

Perhaps continued financial support for such organisations would better convince people of the government's commitment to the development of closer business links between UK companies and their counterparts in the rest of the Community, than press statements and glossy leaflets by the Foreign and Commonwealth Office or the Department of Trade and Industry.

Martyn Riley,
8 Queen Elizabeth Square,
Maidstone, Kent

Borrowing requirement and money supply

From Mr Peter Spencer.

Sir, Mr Anthony Harris ("A new twist to ease the slump", July 20) suggests that underfunding the public sector borrowing requirement would cause a large rise in the M4 monetary aggregate and goes on to describe this as an "arithmetic certainty".

We have surely learned that there is no such thing as a mathematical certainty, at least when it comes to the economy. But economic theory, for what it is worth, states that the impact upon M4 would be precisely zero: in an open economy such as the UK within a credible fixed exchange rate system such as the ERM the money stock is determined by public demand and cannot be influenced by funding or other financial devices.

Actually, M4 might rise if exchange or interest rates fell, stimulating economic growth and the demand for money. But there is little if any scope for such reductions at the moment. Changes in gilt issuance would in this situation be offset largely in external capital flows, most obviously overseas purchases of gilts.

Peter Spencer,
Kleinwort Benson Securities,
20 Fenchurch Street,
London EC3P 3DP

From Mr Mike Higgins.

Sir, John Plender's excellent article ("Uncertainty in a stable world", July 22) regarding strains in the housing market referred to Greenwell Montagu's strong view that the government's "full funding" rule, whereby the PSBR is fully offset by net sales of gilts outside the banking and building society sectors, should be amended in the current economic climate. It seems to us odd, to say the least, that under this rule the effect of the PSBR on the money supply is more or less exactly neutralised whether the economy is in boom or slump.

Surely it would be better to overfund in economic boom times and underfund at times of recession like now. Underfunding would have several beneficial effects.

- Broad money supply growth would be pushed up by approximately the amount of underfunding.
- Yields on long-dated gilt stocks would fall as the supply of new stock became smaller.
- The investing institutions would have more money to invest in other assets such as equities and property, giving a much needed boost to the price levels of those markets.

Mr Plender is not correct, however, in concluding that underfunding would lead to higher short-term interest rates. He presumably comes to this conclusion by arguing that, if the government sells fewer gilts and more Treasury bills, this would push Treasury bill rates higher. In practice, the government decides the overall level of money interest rates and the effect of small or large bill issues is almost negligible.

This is probably most easily explained by considering the effect on the banking system of, say, £10bn underfunding. This would increase bank deposits (ie, money supply) by £10bn and would be available to buy £10bn of Treasury bills or short-dated gilts. There is thus no significant imbalance to put pressure on interest rates one way or the other.

It is difficult to see why the government has not already embraced the idea of underfunding when virtually all other options of stimulating the economy are closed by ERM constraints. It is possible to argue about the extent of the beneficial effects set out above, but I have heard no one argue that the effect would not be in the right directon.

Mike Higgins,
chairman,
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Disputing an age-old fallacy

From Dr Harry A Shearring.

Sir, Sir Sigmund Sternberg (Letters, July 15) belongs to an enlightened minority. Unfortunately, many UK employers have yet to recognise that, in Sir Sigmund's words, "age need not be a barrier to success". Instead, they operate "too old at X policies" – X being almost any random number over 22.

There is research evidence supporting the "too old at" paradigm, just as there is research evidence that the earth is flat and that this planet is the centre of the universe. But the evidence is flawed. In fact, older adults can be as successful as their juniors, and they can be just as creative.

Some of the evidence is set out in my recent article, "Creativity and older adults" (Leadership and Organization Development Journal 13/2). There are a few caveats, but the general position is that, if he wants to be, the 90-year-old can be as mentally alert as the 19-year-old, provided he has resisted flat-earthers' efforts to brain-shrink him into behaving in the self-restricting and self-degrading ways which match their negative paradigm.

Harry A Shearring,
Imodi,
Douglas, Isle of Man

Rail privatisation so complex, performance will not be improved

From Mr David Sawers.

Sir, Sir Bob Reid was understandably non-committal about the government's proposals for the reorganisation of British Rail (Personal View: "A challenge to us all", July 17). But the proposals must represent the most extraordinary gamble that a government has taken with the organisation of transport in Britain: an untried division of financial responsibility and operation is to be combined with an untried form of ownership, and the decision to adopt this structure has been taken before an analysis of its feasibility has been undertaken. Now the white paper has been published, consultants are to start studying the problems of allocating paths on the railway tracks to competing services and of charging for the use of the track. If there were no practicable solutions to these problems, government policy would be unworkable.

Ministers appear to have picked on franchising as a means of getting private sector involvement in running the railways without surrendering ownership – because they could not agree how the railways should be sold. They do not seem to have understood that a franchise requires a long-term commitment, because entrepreneurs want some security for their efforts: so franchising is not a preliminary to privatisation but an alternative. They will have to make up their minds which they want to adopt.

The results of this gamble will not become clear for several years, until the work that should have preceded the white paper has been completed and until the demand for franchises has been established. Uncertainty about the feasibility of the white paper policies implies that radical changes in policies may have to be made; the white paper may be yet another consigned to the dustbin.

The tragedy of the government's policies is that an opportunity to move British Rail wholly into the private sector has been lost; and BR's management will be devoting most of its efforts to making a complex new organisation work, rather than to improving the performance of the railways. The traveller is liable to lose on the deal, and there is some danger that the taxpayer will also lose, because the government may have to buy the services of the franchisees with subsidies.

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FINANCIAL TIMES
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Prime minister promises electoral reform after low turnout by voters

Japan's ruling LDP tightens hold on power

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic Party tightened its hold on power yesterday by winning more than half of the 127 seats contested in an Upper House election conspicuous for a record low voter turnout.

Mr Kiichi Miyazawa, the prime minister, surprised by a voter turnout estimated at 48 per cent, well below the previous low of 57 per cent, promised to introduce electoral reforms to increase confidence in the political system.

Meanwhile, Mr Makoto Tanabe, leader of the Social Democratic Party (SDPJ), the leading opposition party, was under pressure to resign because of the party's poor showing. The trade union-backed Rengo, an ally of the SDPJ, appears to not have won even one seat.

Early today, the LDP had won at least 68 of the 127 seats contested in the half-house election, four more than its official target, and enough for Mr Miyazawa to interpret the outcome as a vote of confidence in his leadership.

The SDPJ appeared to have collected about 22 seats, while the New Japan Party, a new centrist party that hopes to usurp the SDPJ as the main opposition party, is likely to have won four seats in its first election and could play a significant role in a general election due in 1994.

Opposition parties had viewed the election as a referendum on LDP legislation to allow the dispatch of military personnel on United Nations peacekeeping operations, but most Japanese voters were unimpressed by the opposition's campaign.

Japan's economic slowdown worked in favour of the ruling party, as opposition parties, focusing on the peacekeeping legislation, did not offer an alternative economic policy. Mr Miyazawa had called an emergency Cabinet meeting on Friday to discuss the ailing stock market and to reinforce his party's economic credentials.

The LDP, which controls the more powerful Lower House, will still be a few seats short of a majority in the Upper House, but is now in a strong position to regain control at the next half-house election in 1995.

The SDPJ's Mr Tanabe admitted that the party has "defects". However, he said that, rather than resign, he should "take responsibility for overcoming these defects".

Peace, prosperity and corruption, Back Page, Section II

Japanese prime minister Kiichi Miyazawa casts his vote

UK chancellor defends low inflation policy for recovery

By Emma Tucker and David Owen

MR NORMAN LAMONT, the UK chancellor of the exchequer, yesterday hardened his defence of the government's tough economic strategy in the face of renewed calls for other approaches to remedying the country's economic woes.

In an interview with BBC Radio 4, Mr Lamont said the pursuit of low inflation was the only policy that would bring lasting economic recovery and improve Britain's competitiveness.

He also again ruled out devaluation of sterling within the European exchange rate mechanism.

His comments came on the eve of more bad news for the UK economy. Tomorrow the Confederation of British Industry's quarterly industrial trends survey will show there was a sharp drop in business confidence during the past month and that manufacturing companies do not expect their orders to increase over the next few months.

This week will also see figures showing that home mortgage lenders repossessed more than 30,000 homes in the first six months of the year, a small drop from the record 38,000 repossessed in the previous six months. Over the weekend, several mortgage lenders again warned that they might have to raise rates, even if base rates stay unchanged, to make up for bad debts and heavy losses from repossessions.

Mr Lamont admitted the recession had lasted longer than he had expected but said this did not justify "alarmist" talk of a 1930s-style slump.

Although he understood why people were impatient for some improvement, he insisted that the government's anti-inflation strategy was a pre-condition for sustained recovery. "It is the only policy that can be pursued. It will bring recovery and, most important of all, within this decade we will be in an excellent position against the best economies in Europe," he said.

On the same programme, Lord Tebbit, the former Conservative cabinet minister and prominent Euro-sceptic, accused the chancellor of surrendering economic control to Germany.

"At the moment the German economy needs high interest rates. I suspect that the British economy needs rather lower interest rates and we have locked ourselves into a position where the Chancellor has no discretion at all," Lord Tebbit said.

The main opposition Labour party accused the chancellor of "breathtaking and arrogant complacency". Mr Gordon Brown, the new opposition chancellor said: "He is now misleading us in saying there are no alternative policies to follow."

Mr John Townend, chairman of the Conservative backbench MPs finance committee, noted that Mr Lamont was still "more optimistic than many people".

Treasury defends reputation, Page 6
The week ahead, Page 8
Manufacturing sector waits for recovery, Page 12
Samuel Brittan, Page 12

Lloyd's poised for new chairman

Continued from Page 1

The changeover will be welcomed by many at Lloyd's. Leading agencies and brokers as well as the Association of Lloyd's Members, a moderate group individuals whose assets support the insurance market's capital, are all likely backers.

At today's EGM Mr Neil Shaw, newly elected ALM chairman, will speak in favour of a motion, backed by the ALM, which urges the council to press ahead with implementation of the reforms recommended in January by a market task force headed by Mr Rowland.

The task force advocated the modification of the principle of unlimited liability – by which Names are liable for all insurance losses – and the introduction of corporate capital to Lloyd's. Task force recommendations that the regulation of Lloyd's be separated from day to day governance were echoed in the conclusions of a second committee, headed by Sir Jeremy Morse, Lloyds bank chairman, earlier this month.

Mr Shaw said yesterday that it was "fundamental" to have a new leadership team in place "as quickly as possible". He warned that Lloyd's dissidents would send the wrong signals to Lloyd's bankers and policyholders if they win motions which the dissidents have tabled at the EGM. Names would trigger "meltdown" if they voted to overturn a levy needed to boost the market's central fund, he added. The fund, recently boosted from £500m to £1bn, pays claims when Names, the individuals whose assets provide the market's capital, are unable to meet their obligations.

The proposal is one of four submitted by the dissidents who called for the EGM last month. But voting will be by postal ballot, with the result not known until the end of next month.

Japan discount rate cut expected

Continued from Page 1

end March 1993. That target now appears out of reach, and private institutions are generally forecasting growth of little more than 2 per cent for the year.

The slowdown has led to a surge in Japan's trade surplus, which was a record $49bn (£25bn) for the first half and is still rising.

The US and Japan will begin a two-day review tomorrow of a pact signed in 1990 to remove "structural impediments" to bilateral trade, and US representatives are certain to ask Tokyo to stimulate the economy.

At an emergency cabinet meeting on Friday night, Mr Kiichi Miyazawa, the prime minister, reaffirmed that a supplementary budget would be decided by mid-September, but that the finance ministry has yet to approve proposals by the ruling Liberal Democratic Party for an outlay of Y5,000bn to Y8,000bn (£21bn-£33bn).

At the meeting, ministers showed their frustration with the weak stock market by suggesting that Japanese insurance companies increase their stock purchases to stimulate demand.

Progress in North American trade talks

By Damian Fraser in Mexico City

TRADE ministers from the US, Canada and Mexico yesterday concluded their talks in Mexico City aimed at ironing out their remaining differences over the North American free trade agreement without announcing any major breakthrough.

After a weekend of negotiations, the ministers said progress had been very positive. They would meet again this week to build on the momentum achieved over the last two days.

Mrs Carla Hills, the US trade representaive, suggested the negotiations would draw to an end soon: "You can't stay at top of the ninth innings for ever," she said, referring to an analogy President George Bush had drawn earlier.

But Mrs Hills added that a number of key texts – including those on cars, textiles, financial services and investment – had not been completed. Mr Michael Wilson, Canada's trade minister, said his country had difficulties with the rule of origin proposed by Mexico and the US in the textile sector, but would try to obtain relief with tariffs.

The talks are reported to have advanced a number of substantive issues, with progress made negotiating texts on agriculture, government procurement, foreign investment and energy. The agriculture text was almost finished, said a senior Mexican official.

Under US trade law a completed text can be presented to the US Congress 90 days after it has been initialled by the trade ministers. If President Bush intends to send Congress the agreement a few days before the November 3 presidential elections the deadline for negotiations is the beginning of August.

The Mexicans and Canadians would also like to conclude an agreement as soon as possible. The Mexican stock market is down 18 per cent from June 1, in part because of fears a free trade agreement will not be signed, while the Canadian government faces elections next year and would like to put Nafta negotiations behind it as soon as possible.

This was the ministers' sixth formal meeting since negotiations started 13 months ago.

THE LEX COLUMN

The fear of failure

In the trough of the last recession, according to the corporate analysts Syspas, 23 per cent of UK-quoted industrial companies were at risk of failure. The figure now is 26 per cent. Among construction companies, it is an unnerving 65 per cent. If the economy does not pick up materially in the next two years, Syspas says, the resulting failures will cost the banks up to £1.8bn in bad loans and creditors another £2bn on top.

Since Syspas privately described Maxwell Communication as "beyond saving in its present form" at a time when the equity market still valued it at over £1bn, it perhaps deserves to be taken seriously. Its method is based on the familiar US technique of Z-scores, which establishes common characteristics for bankrupt companies and seeks to identify them elsewhere.

The system produced dire predictions about Lowndes Queensway, Turriff, Graham Wood and Astra, all of which have since gone under. Syspas claims to have scented the present recession as early as the start of 1989, on the grounds that balance sheets had started to deteriorate despite the fact that profits were still rising.

Since then, the number of companies at risk has increased faster than in the recession of 1980-81. The rise continues, which suggests the economy is still getting worse.

For the equity market, there is perhaps one ray of comfort in all this. Experience suggests that companies with poor Z-scores – that is, at high risk of failure – underperform the market in an economic decline and outperform in a recovery. It should therefore follow that the worse mess the corporate sector is in, the greater scope there is for a market bounce.

This may help to explain why the construction sector should be on a seemingly ludicrous historic multiple of 42, three times the industrial average. But the pressing question is not how sharp the bounce will be. It is rather how far the market falls before it turns; and which companies will still be around by then.

UK banks

Bid battles aside, the recent history of the UK clearing banks has been dominated by disappointment about the scale of domestic bad debt provisions. There is unlikely to be much relief when the banks start reporting interim results. Barclays, thanks to its relatively low rate of provisioning in the past and its well-publicised problems with Heron, Mountleigh and Olympia & York, is likely to report a sharp increase in provisions compared with the £639m set aside in last year's second half. Abbey National's provisions are also likely to rise, while the absence of economic recovery means other banks will show only modest falls at best.

So much for the recovery hopes with which investors consoled themselves after last year's poor results. The longer term trend in provisions is difficult to predict. By and large, the market's record has been one of excessive optimism. To be sure, there are one or two hopeful signs on the horizon, not least a slight fall in administrative receiverships. BZW calculates that cumulative provisions at the four largest clearers now average 3.1 per cent of loans outstanding, a ratio which has more than tripled over the past five years. It might thus be legitimate to ask whether provisions need to continue at such a high level

Unfortunately, the overwhelming impression is that they easily could. The stock market hardly reflects a picture of glowing corporate health. There is no sign of interest rates coming down and the property market remains depressed. For the year as a whole, there is scant reason why interest rates should fall much, if at all, and the chances are that any decline in 1993 will only be gradual.

The outcome may, of course, vary from bank to bank. Midland's loan book grew more slowly in the late-1980s than those of its three main competitors and its provisions rose faster with the onset of the recession, so it may have dealt with the problem earlier. Lloyds has the offsetting benefit of a large surplus in its developing country debt provisions, while National Westminster will at least be able to show a sharp drop in provisions on its US business.

The more general consolation is that the slow growth in lending will prevent any threat to capital ratios. That said, only lacklustre growth can be expected in operating income, from which the provisions have to be financed. Not only have retail fees and charges been raised just about as far as the market will bear; there is also increasing competitive pressure in the hitherto lucrative life insurance market. Net interest income is being squeezed on the one side by a rise in the volume of non-performing loans and on the other by the higher cost of retail deposits. That leaves a redoubled effort on cost control as the banks' main hope for earnings growth.

Gold

With tensions mounting over Iraq, Friday might have seemed an odd day for the gold price to go into reverse after its recent run. But finding a plausible rationalisation for gyrations in the price of the barbaric metal is increasingly difficult.

The mini-boom since early summer was supposed, in part, to have been inspired by the weakness of the dollar and a consequent increase in gold's safe haven attractions. Yet the safe haven theory derived little support from gold's muted euphoria during the Gulf crisis. Nor should it have, given the success of the financial services industry in devising less cumbersome hedges against uncertainty.

Recently, gold is said to have derived strength from the weakness of global equities. Yet sagging equity prices reflect worries about debt deflation.

The opportunity cost of holding a non-income producing asset in a period of high real interest rates is high; and where, as in Britain, inflation is falling faster than interest rates, the opportunity cost becomes higher by the day.

If there is a case for real assets in the current climate, it is easier to make for income-producing real estate. In the bombed-out UK property market, the average yield on all properties at 9.3 per cent shows a positive half-point margin over long gilts.

The snag in looking at property as a fixed-income investment lies in the residual value attaching to land at the end of the 25-year institutional lease. In the absence of land price inflation, the comparison with gilts may prove optimistic.

World Weather

City		°C	°F
Ajaccio	S	28	82
Algiers	S	29	84
Amsterdam	F	20	68
Athens	F	32	90
Bahrain		–	–
Bangkok	C	29	84
Barcelona	S	28	82
Beijing	S	33	91
Beirut	F	28	82
Belfast	C	16	61
Belgrade	S	30	86
Berlin	S	23	73
Biarritz	S	28	82
Bombay		–	–
Bordeaux	S	28	82
Boulogne	S	23	73
Brussels	F	22	72
Budapest	F	31	88
Buenos Aires	C	13	55
Cairo	S	31	88
Cape Town	C	15	59
Caracas	R	27	81
Casablanca †	S	25	77
Chicago †	C	23	73
Cologne	F	25	77
Copenhagen	C	22	72
Corfu	S	31	88
Dallas †	S	26	79
Dublin	C	18	64
Dubrovnik		–	–
Edinburgh	R	15	59
Faro	S	30	86
Florence	S	31	88
Frankfurt	F	26	79
Geneva	S	26	79
Gibraltar	S	26	79
Glasgow	R	14	57
Helsinki	S	25	77
Hong Kong		–	–
Innsbruck	S	28	82
Inverness	F	16	61
Islamabad	C	33	91
Istanbul	F	28	82
Jakarta	F	33	91
Johannesburg	S	18	64
Lisbon	S	30	86
London	F	19	66
Los Angeles †	C	19	66
Luxembourg	S	24	75
Madeira	C	22	72
Madrid	S	32	90
Majorca	S	30	86
Malaga	S	28	82
Malta	S	31	88
Manila	R	33	91
Melbourne	S	11	52
Mexico City	C	25	77
Miami †	S	27	81
Milan	S	30	86
Montreal †	S	20	68
Moscow	F	22	72
Munich	S	26	79
Nairobi		–	–
Naples	S	32	90
Nassau	C	29	84
New Delhi	F	30	86
New York †	C	21	70
Nice	S	28	82
Nicosia	S	29	84
Oporto	S	21	70
Oslo	F	20	68
Paris	S	26	79
Prague	S	25	77
Reykjavik	S	12	54
Rhodes	S	30	86
Rio de Janeiro	F	23	73
Rome	S	29	84
Salzburg	S	26	79
S'Francisco †	C	13	55
Seoul	F	30	86
Singapore	F	30	86
Stockholm	S	26	79
Strasbourg	S	26	79
Sydney	F	14	57
Taipei	F	34	93
Tangier	S	32	90
Tel Aviv	F	28	82
Tenerife	S	25	77
Tokyo	F	31	88
Toronto †	R	18	64
Tunis	S	31	88
Valencia	S	31	88
Venice	S	30	86
Vienna	S	28	82
Warsaw	F	24	75
Washington †	C	22	72
Zurich	S	26	79

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Bibby wins a war of nerves in Spain

On paper the takeover by J Bibby & Sons, the UK industrial and agricultural group, of Finanzauto, Spain's leading supplier of earthmoving equipment, looked like a pushover purchase. But Bibby faced a more nerve-wracking and costlier battle than had been originally envisaged even though Finanzauto, with consolidated profits 68 per cent lower last year, appeared ripe for a friendly takeover. Page 16

Fun goes out of Ecu bond party

It was a great party while it lasted. European governments and investment bankers loved the market for Ecu bonds, until recently one of the quickest-growing financial markets around. At the end of last week, though, the market all but seized up. Today, bankers will try to kick-start it again – though the prospects over the coming months do not look good. Page 19

Gilts cool to new regime

The new UK regime for public spending – which seeks to impose tough disciplines with a view to reining back increases in the public sector borrowing requirement – was last week introduced not in parliament but in off-the-record briefings to journalists. The gilt market – to which the question of future rises in public spending is crucial – was not greatly excited by the changes. Page 18

Three-way tug-of-war looms

The stage is set for a complex summer tug-of-war in the US credit markets between political opinion polls, currency markets and economic statistics. The three forces were neatly on display last week as central banks intervened in the currency markets to support the ailing dollar; as Mr Alan Greenspan, the Federal Reserve chairman, gave his twice-yearly Humphrey Hawkins testimony to Congress; and as Mr Bill Clinton, the Democratic Presidential candidate, continued his surge in the polls. Page 18

Canada develops taste for funds

Canada's 10 provinces have a hearty appetite for funds and investors seem eager to satisfy it. The provinces and their utilities, such as Ontario Hydro and Hydro-Quebec, have tapped the domestic and international bond markets for about C$24bn ($20bn) so far this year. Last week alone British Columbia, Alberta, New Brunswick and Nova Scotia raised more than C$1.5bn in Canadian and US dollar-denominated bonds. Page 18

Market Statistics

Companies in this issue

Wellcome to sell 270m shares at 800p

By Maggie Urry

WELLCOME Trust last night set an 800p price for the sale of shares in Wellcome, the drug company, bringing to a successful conclusion the biggest non-privatisation share sale ever mounted.

The price compares with Friday's close of 826p and was considered a narrow discount given the size of the issue and the recent difficult market conditions.

Depending on last-minute fine-tuning, the trust will sell 270m shares. The sale will raise £2.1bn ($4bn) after paying £75m to the banks and brokers who organised the global sale.

The sale was completed in spite of the poor state of equity markets in the UK, US and Japan during the period of the offer and the possibility of hostilities breaking out in the Gulf again as the offer was closing on Friday.

Mr Roger Gibbs, chairman of the trust, said the sale would increase the medical charity's annual income to around £220m which "will be of great benefit to medical research".

When the trust first announced its plan to reduce its stake in Wellcome from 73.5 per cent to less than 50 per cent, the shares stood at £11.26. The trust considered cutting its stake to 25 per cent through the sale of 417m shares. In June it indicated the offer would be of 330m shares.

Although the trust had bids for 360m shares it decided to cut back the sale to ensure a successful aftermarket. If it sells 270m shares it will still hold 42 per cent of the company's equity.

Trading in the shares will start at 8.30 this morning. Robert Fleming, the merchant bank co-ordinating the sale, has allocated an extra 40m shares under the "green-shoe" option. It can stabilise the share price by buying up to 40m shares until August 26 if the price falls below 800p. If it buys back less than 40m shares the sale will, in effect, have been increased.

Last night Fleming was finalising allocations to investors who put in tenders for the shares. UK institutions were slightly favoured and about 60 per cent of the shares will go to them. US investors will receive about 23 per cent, although they made 25 per cent of the bids. Japanese investors will take about 5 per cent with the rest divided between other regions and the UK public offer.

Individual bidders were scaled back according to a number of criteria. Those who put in bids early were rewarded, and a slight advantage was given to bidders who were aggressive on price.

Daniel Green and Ronald van de Krol on implications for Europe's regional aircraft business of the agreement to transfer Fokker into German hands

Deal signals moves to fly in formation

THE Freedom Snack bar, run by an ex-convict in The Hague, the Dutch capital, had a busy night last Thursday. It fed the nocturnal appetites of three men debating a Fl 1bn ($596m) deal in the foreign ministry next door.

Their eventual agreement, secured on Friday morning after 20 hours of talks, opened the way for the transfer of one of the Netherlands' flagship companies into German hands. It could also trigger a consolidation of the regional aircraft industry, which makes short-range aircraft, most of them for the domestic US market.

Officially, the talks were a three-way affair between Fokker, the Dutch aircraft maker, Deutsche Aerospace (Dasa) of Germany, and the Dutch government, whose 32 per cent stake in Fokker gave it a veto on any deal to sell the company.

In reality, they pitted the Dutch government against Mr Jürgen Schrempp and Mr Erik Jan Nederkoorn, the chairmen of Dasa and Fokker.

Across a table on the ninth floor of the foreign ministry building in The Hague, the two men pressed Mr Koos Andriessen, the Dutch economic affairs minister, to agree to Dasa taking a 51 per cent stake in Fokker. Mr Andriessen wanted guarantees that Fokker would not become a screwdriver plant run from Dasa's Munich headquarters.

Mr Andriessen eventually, and grudgingly, agreed on a timetable for the Dutch government to surrender its influence on the new Dasa-Fokker holding company. The industrialists were delighted. In the words of Mr Nederkoorn: "Fokker will become the Airbus of the regional aircraft market in which other companies will participate."

Important details – even the price – have yet to be agreed. "Price did not play a role in the negotiations," said Mr Andriessen. The talks were about the structure of Europe's aerospace industry and the role to be played by Fokker.

There are also regulatory obstacles still to overcome, and delays are still possible from the Dutch parliament or European Commission competition watchdogs. But there is little doubt that the regional aircraft market is ripe for an Airbus-style grouping, in which many manufacturers contribute to a single range of aircraft.

The industry is dogged by overcapacity, with nine different manufacturers having sold more than 100 aircraft each into the huge US market. That overcapacity has led many manufacturers into financial difficulties. Companies such as British Aerospace, Aerospatiale of France and Sweden's Saab have been forced to consider partnerships to survive.

Fokker had more to worry about than many. It has already been rescued by the Dutch government, in 1987, and its successful Fokker 100 aircraft needs heavy capital investment for 70-seater and 130-seater versions to be developed.

In the forefront of partnership moves across the industry is Dasa, just three years old and owned by Germany's biggest industrial group, Daimler-Benz. It was established as an umbrella for the country's fragmented aerospace industry and has since entered into a series of international alliances for helicopters, satellites and aero-engines.

Last November, Dasa formed the Regioliner regional jet consortium with Aerospatiale and Alenia of Italy. Fokker believes that the French and Italians will take stakes in the new Dasa-Fokker company and that the Fokker 100 will form the core of the consortium's model range.

The arrival of Fokker in the Dasa camp brings one step closer the creation of a genuine giant in regional aircraft.

Regioliner is dominated by Dasa and could provide the sought-for focus for the German company's disparate activities. And, if successful, Regioliner could face only dishevelled and dispirited rivals struggling to find partners. BAe, which last month relaunched its loss-making regional aircraft, said yesterday it was "still pursuing talks leading to a joint venture or a merger, not necessarily in Europe".

BAe may be hoping that the Dasa-Fokker deal hits trouble. This happened in 1969 when Fokker merged with VFW, now part of Dasa. The partnership was dissolved in 1978 amid recriminations over the flop of a new 44-seater aeroplane, the VFW 614.

Nor is opposition dead within the Netherlands. Dutch politicians and trade unions remain worried about "carving up" Fokker among the Germans, French and Italians.

This disquiet springs from many sources. Unlike the fruitfulness of Anglo-Dutch partnerships, which have produced big groups such as Unilever and Royal Dutch/Shell, there is no tradition of successful corporate alliances between Dutch and German companies. At the same time, lingering resentment resulting from the Second World War, combined with the natural wariness of a small country for a powerful neighbour, charges the takeover with emotion and politics.

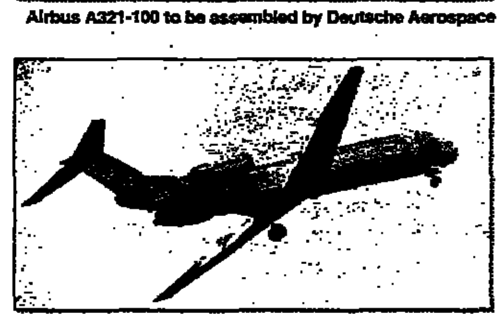
But everyone in the regional aircraft industry is aware of what happened to big aircraft makers. This once bustling business is now dominated by just three companies: Boeing, Airbus and McDonnell-Douglas.

They know that the regional aircraft industry needs fewer competitors. Fokker needs a big brother and Dasa wants to become a mature business. Some in the Netherlands fear that the deal means the beginning for the end for Fokker. Some in Germany hope it is the end of the beginning for Dasa.

Deutsche Aerospace takes control of Fokker

Airbus A321-100 to be assembled by Deutsche Aerospace

Deutsche Aerospace
1991
Turnover: DM12.4bn ($8.3bn)
Profits: DM50m
Employees: 56,465
Subsidiary of Daimler-Benz. Operations include Deutsche Airbus which will assemble the A321 in Germany; makes segments of other Airbus models. MTU unit makes aero engines in partnership with Pratt & Whitney. MBB airframe unit, acquired in 1989, is a partner in Eurocopter project with Aerospatiale. Dornier unit builds small passenger aircraft.



Fokker 100

Fokker
1991
Turnover: Fl 13.8bn ($8.2bn)
Pre-tax profits: Fl 194m
Employees: 12,880
Bailed out by Dutch government after heavy losses in 1987. Aircraft include Fokker 50 twin-turboprop and F100 twin-jet; subcontract work includes Airbus 300 and 310 and F-16 military jets and guided weapon systems such as Patriot and Stinger missiles. Needs partner to achieve ambition of building larger regional jets

WPP steps up pressure on investors to support rescue

By Maggie Urry in London

WPP, the UK marketing services group which is asking shareholders to approve a $1bn refinancing at a special meeting on August 5, will this week write to its investors telling them that if the proposals are not passed there will be little alternative but to appoint a receiver.

Receivership would leave nothing for shareholders, and would force banks to write off a proportion of their loans.

A receiver has been lined up and has been working on a plan which would involve selling the assets and undertakings of WPP to a new company, wholly owned by the banks. This would leave shareholders with a stake in a company with nothing but debts.

If WPP's reconstruction failed there could be widespread implications for other companies in trouble. A director of Samuel Montagu, the group's merchant bank, said that if WPP went into receivership after bankers had spent eight months working on a refinancing, "banks will not bother to work on reconstructions in future. They will put in a receiver on day one."

He was optimistic, however, that the shareholders would pass the special resolutions to be put to them at the meeting. He said the deal was a better one for shareholders than investors in other troubled companies had been offered.

The resolutions need to be approved by 75 per cent of those voting in each class of share. Investors will be urged to complete proxy cards if they cannot attend the meeting.

The outcome could depend largely on Fidelity, the large US investment group, which last week bought a further 3m preference shares, giving it 10 per cent of that class. Fidelity has told shareholders and analysts it plans to vote against the resolutions. WPP's bankers are puzzled about the institution's motives.

The WPP share price has fallen since final terms of the refinancing were fixed on July 1, when the offer to preference shareholders was sweetened, and Fidelity first announced its intention to vote against. From 50p at the start of the month, the shares slid to 37p at Friday's close.

Some think the shares will recover if the votes are passed, and that Fidelity is buying for that reason. Others believe Fidelity is trying to force a further improvement in the terms.

Obstacles on the road to growth in China

Economics Notebook

By Simon Holberton in Hong Kong

Straight-line projections of past trends are almost always wrong, but with that caveat in mind consider this one: in a little more than 20 years China *could* have an economy as large as the US.

In terms of income per head it will, of course, lag America by a considerable margin. It may only be of the order of US$7,000 per head. But, by 2015 China will be well on the way to being the most important economy in the world.

So, what are the assumptions? China's potential growth rate is the sum of the growth in its workforce plus growth in productivity. The sum of these two ought also to represent its non-inflationary growth path.

Mr Enzio von Pfeil, economist at Smith New Court in Hong Kong, expects the workforce to grow by about 3 per cent and productivity by about 12 per cent.

For the US he estimated 1.7 per cent for civilian labour force growth and 1.5 per cent for productivity to give a potential growth rate for the US of more than 3 per cent.

On the basis of these assumptions the real value of both the US and Chinese economies reaches US$10,000bn in 2015; during 2016 China overtakes America.

Now back to the real world. China's economy is overheating. It seems set to ride the boom phase of the "boom-bust" cycle that has been a hallmark of the Chinese economy since Beijing embarked on market-oriented economic reform in 1978.

In the first half of this year gross domestic product (GDP) was 10.6 per cent higher than in the first half of 1991. Industrial production, on the same basis, was up 18.2 per cent, and consumer spending was 14 per cent higher over the same period.

China's nation-wide inflation rate in June was 5 per cent. But that national figure disguises inflationary pressures where they matter most – in the cities. In May, three major Chinese cities, including Guangzhou (Canton), had inflation rates above 20 per cent. That month inflation in the country's 35 main cities was more than 10 per cent and in June it accelerated to 10.5 per cent.

Some mainland Chinese commentators are sanguine. In the face of steep price rises there was no "sign of panic buying and people rushing to withdraw savings from banks as predicted by economists," wrote one Chinese commentator in a recent issue of China Economic News. Well, no sign yet.

The desire for faster economic growth has become an article of faith for the country's ageing leadership.

Just over a week ago it became Chinese government policy to strive for annual real growth of between 9 per cent and 10 per cent a year for the rest of this decade. If successful, China will have managed to double the size of its economy by 1999.

But, at the current stage of its development the World Bank estimates that China can probably not grow faster than 6 per cent a year – its estimate for the long-run trend growth of total factor productivity – without inflation getting out of hand. This is the growth rate which Mr Li Peng, China's prime minister, also supports but he has clearly lost the argument.

The main constraints to China's growth and the sources of inflation are many but a number stand out.

The first is monetary. China operates quantitative controls on credit but its ability to enforce them is weak.

In the first half of the year China's banks made loans worth Yn120bn – twice the government's original target. Much of this credit is being pumped into the country's inefficient state industrial sector.

In the first three months of this year, money supply was rising at an annual rate of 31.6 per cent. This was the ninth consecutive quarter of accelerating growth and the highest quarterly reading since 1988 when the economy last came unstuck.

China also had a problem with its budget deficit. At around 3.5 per cent of GDP the deficit mainly reflects subsidies to state industries and the country's urban population which receives virtually free housing, education and health.

Although it sells government bonds to finance the deficit, it does not sterilise the deficit. The massive loans to state industry are the result of printing money; in effect, China monetises its deficit.

The second is infrastructure. Take road and rail. China is a little larger in area than the US but its road network is equal to only 16 per cent of that in the US while the length of its rail network is 23 per cent of the US network.

The road network is poor, and the rail network is operating at full capacity. With a quarter of the capacity of the US, China's railways ship about 70 per cent of what the US transports by rail a year. Although China is the biggest coal producer in the world power plants in Guangdong have to import coal.

Electricity generation is another major constraint on China's growth. Simply to satisfy current demand and eliminate shortages China needs to increase its generating capacity by between 20 per cent and 30 per cent from its current level of around 140,000MW.

China plans to increase capacity to 200,000MW by 1995 and to add another 40,000MW by the end of the century. But it has to run fast simply to stand still.

However, the biggest constraint on China realising its full potential for growth is political. Although China has liberalised many goods markets, it is fearful of liberalising that nation's biggest market: the market for labour.

The country's urban labour market is tightly controlled through a system of urban registration with the police. Workers are tied to their place of work which provides them with housing, health and educational services.

The cost of providing these services, especially in the state industrial sector, is costing China dearly.

Yet the solutions to the problem – freeing the labour market, instituting sensible housing reforms, and lifting the burden of the state from the backs of the people are still distant prospects.

Ukrainians abroad plan bond aid to homeland

By Bernard Simon in Toronto

AMERICANS and Canadians of Ukrainian descent are hoping to emulate the success of State of Israel bonds by raising money for their homeland through a series of interest-bearing Ukraine bonds.

Mr Dan Bilak, a Ukrainian-Canadian lawyer in Toronto, said the central bank in Kiev had approved three annual Ukraine bond issues totalling US$100m (£52.3m).

The first $30m issue, due in December, will carry a 7 per cent coupon. "We want to have a coupon so that Ukraine is seen to be making interest payments," Mr Bilak said.

Mr Bilak and Mudge Rose, a New York law firm specialising in the securities market, are setting up a distribution network for the bonds. The plan is to sell the bonds in Canada through the half-dozen or so credit unions catering to the Ukrainian community, and in the US through a retail-oriented securities dealer.

About 3m people of Ukrainian descent live in Canada and the US.

Mr Bilak said the bonds were primarily designed as "a confidence builder for the Ukrainians".

No decision has been made on how proceeds of the bond issue will be used. Mr Bilak said the community "is wary of throwing money into a consolidated revenue fund. We'd like to have a special purpose."

Money raised will probably be held in bank accounts in north America and Europe to be drawn on as needed by the Ukrainian authorities.

Aer Lingus cuts value of GPA stake by I£22m

By Vincent Boland in Dublin

AER LINGUS has reduced the value of its stake in GPA Group, the aircraft leasing group, by I£21.9m (£20.6m) in its accounts for the year to March 31.

Its 8.76 per cent stake is valued at about I£113m, based on exchange rates ruling at March 31.

This implies a price of $18.50 for each GPA share at March 31, compared to the range of $20-$25 a share (before a two-for-one split) which GPA set for its failed international public offering last month.

GPA said the price of $16.50 a share was in line with its estimates of current value, though there has been no trading in GPA shares since the offer was cancelled.

Aer Lingus's carrying value *has been adjusted to take* account of the airline's legal and administrative costs relating to the stake.

The airline owns 9.94m shares in GPA, which would have doubled following the proposed split. It hoped to sell a minimum of 4.64m shares in the offering, which was cancelled at the last minute on June 18.

Mr Larry Stanley, chief executive of Aer Lingus Commercial Holdings, said the value had been reduced for "reasons of prudence," prior to the cancellation in line with the indicated price range.

Aer Lingus, one of the founding shareholders in GPA, was one of those most anxious to see the offer proceed. It had planned to use the funds to reduce gearing.

It has been released from the "lock-in" arrangements agreed between GPA and its main shareholders before the offer and is believed to be keen to establish GPA's intentions on seeking a quotation.

Mr Stanley said Aer Lingus was adopting a wait and see approach and has had several meetings with GPA to discuss future financing arrangements.

"We were very disappointed with the failure of the international public offering," he said. "It was an opportunity for us to get liquid. But we wanted to wait until we have a clearer idea of what GPA intends to do before making any decision. We have no pressing need for funds."

Counting the cost of a less than easy route into Spain

Tom Burns looks at the complexities that Bibby faced over its hostile £86m takeover of Finanzauto

J BIBBY & Sons, the UK industrial and agricultural group, has broken new ground as the first wholly-owned *foreign* corporation to acquire a Spanish company in a hostile takeover.

Establishing the precedent proved more nerve-wracking and costlier than had been originally envisaged.

Mr Richard Mansell-Jones, chairman of Bibby, says he has "no regrets" about the company's acquisition last week of Finanzauto, Spain's leading supplier of earthmoving equipment. "There was nothing that happened which made us feel 'gosh, we should never have gone in'."

On paper it had looked like a pushover purchase. Bibby is 79 per cent-owned by Barlow Rand of South Africa, which has *longstanding ties* with Caterpillar of the US. Caterpillar backed the takeover and Finanzauto is the sole distributor of Caterpillar equipment in Spain.

Finanzauto, moreover, looked ripe for a friendly takeover. Its consolidated profits plummeted by 68 per cent to £4.8m last year. It faced the bleak prospect of a worsening domestic construction slump exacerbated by delayed government payments to contractors.

But instead of welcoming Bibby's overtures, Finanzauto resisted them.

The Spanish company's response was, in part, a knee jerk reaction against a foreign bidder that had taken a cheap acquisition for granted. The controversial six-month long struggle to take over Finanzauto was nonetheless more complex than that and it produced valuable lessons for all concerned.

A sample of opinions over the acquisition process includes the following:

● Mr William Connelly, of Barings, Bibby's advisers, learnt that Class One purchases, a denomination which *included the Bibby bid and* which requires shareholder approval under UK company law, are inherently risky in Spain: "We were faced with two basically different company legislations which were in conflict and contradictory."

● Mr Santiago Eguidazu, of Madrid brokers Asesores Bursatiles who advised Finanzauto, discovered that a very diluted equity – nearly 80 per cent of Finanzauto's stock was held by 14,000-odd small shareholders – does not mean a trouble free bid, even when the market is as exceptionally depressed as Spain's is. "A very efficient defence can be mounted for very little money and the board, representing the shareholders, will insist on a good price."

● A senior analyst at a top

Richard Mansell-Jones – no regrets concerning bid

Madrid valuation firm believed that Finanzauto could be partly faulted because it initially failed to put a proper price on its company. "It should have put in place a reputable investment bank in order to get a reputable valuation." Lack of such a valuation left the impression that Bibby paid a moderate price.

● A senior corporate finance manager at a London-based accountancy firm reckoned Bibby partly brought problems upon itself. "Lesson one is get yourself an adviser with a good knowledge of the Spanish markets and lesson two is don't underestimate the Spaniards."

The implication was that Bibby bought over the odds.

As the divergent views indicate, Bibby had anything but an easy ride. It initially approached Finanzauto, via Barings, in February. But then over the past three months Bibby clashed openly with the Spanish company's board over pricing, scorned the way it had managed its business, had its original takeover bid rejected by Madrid's stock exchange commission and finished up paying £86.2m, for Finanzauto, £11m more than it had originally intended.

At the core of the UK company's tension-fraught acquisition was the Class One category of its bid. Because Bibby's original offer of £75m for Finanzauto made a significant impact on its own market capitalisation and because, by consolidating Finanzauto's debt it exceeded its own borrowing limitations, Bibby was obliged, under UK company law, to issue a Class One circular to its shareholders and to request them to waiver the limitations at an extraordinary general meeting.

The delay for shareholder approval eliminates the surprise factor of a bid and allows the target company to kill it either through introducing home grown defensive mechanisms or by inviting in counter offers.

Madrid's stock exchange commission automatically suspended trading in Finanzauto shares when Bibby informed *it of its bid* on account of the price sensitive nature of the information. But when Bibby was unable to simultaneously deliver an egm vote of shareholder support, the commission lifted the suspension as soon as it was *satisfied* that the market was aware of the development.

Mr Mansell-Jones says Bibby made it clear to the commission that Barlow Rand, Bibby's majority owners, backed the acquisition. To his chagrin the market regulators chose however a "legalistic" interpretation and insisted on a shareholder vote at the egm.

The commission offered a different interpretation. Bibby knew perfectly well that its shareholder support documentation was not in order but it put in its bid anyway in the hope of scaring off any counterbidders.

"Bibby should have acted quickly and delivered the price sensitive information and the shareholder support at the same time", said a commission spokesman."

The upshot was that over a 14 day period last month Finanzauto resumed trading on the Madrid stock exchange; and Bibby, which was awaiting its egm, could only watch Finanzauto's share price rise and worry about rival bids.

Additionally, Bibby discovered what Mr Mansell-Jones calls a "critical difference" between the London and Madrid market practices. As the offer period came to a close, the UK company found itself unable to count the acceptances and thereby decide *whether to walk away*, maintain the offer or revise it.

"We were operating in the dark, we couldn't take the temperature," Bibby's chairman says. The UK company believed that its offer of Pta1,300 (£7) per share had a "sporting chance" but offered no certainties. It therefore unilaterally chose to increase the bid to Pta1,500.

Bibby's predicament was increased by the highly aggressive defence mounted by Asesores Bursatiles, Finanzauto's advisers. It included a wide-ranging press campaign, letters to individual shareholders and detailed presentations to the institutions.

"Our strategy was to convince everyone that Finanzauto was worth more than what Bibby was saying," said Mr Eguidazu of Asesores.

By last week when more than 80 per cent of Finanzauto's shareholders accepted the increased price, there were neither winners nor losers.

Lower tax bill cushions Black Arrow profit fall

THE FULL effects of recession were felt by Black Arrow Group in the year ended March 31 1992, resulting in a reduction in pre-tax profit from £1.87m to £1.26m.

However, earnings per share rose to 3.5p (3.01p) after a tax charge of only £384,000 (£1.07m) and minorities reduced to £14,000 (£55,000). The final dividend is 1.6p for an unchanged total of 2.1p.

Turnover in the office furniture manufacturing division fell 30 per cent to £15.1m, and profit by a commensurate amount. However, margins were sustained by a reduction in overall costs.

In leasing and instalment finance turnover dropped 11.5 per cent to £1.45m.

The profit included an exceptional £308,000 on the sale of a subsidiary's trading freehold.

The group's financial condition was healthy and borrowings had been virtually eliminated.

Magnetic agrees second TT bid

By Steve Thompson

TT GROUP, the rapidly-expanding conglomerate run by Mr John Newman, former acquisitions manager at Hanson, has launched an agreed £11.8m bid for Magnetic Materials, the Slough-based manufacturer of magnetic components. Last year MMG fought off a hostile bid by TT.

The offer is three new TT shares for every 10 MMG, with a partial cash alternative which allows accepting shareholders to receive approximately 50 per cent of their consideration in cash.

At last Friday's closing price of 215p per TT share, the bid values MMG group shares at 64.5p, compared with the closing price of 54p.

TT already speaks for just short of 40 per cent of MMG's shares, as a result of its unsuccessful bid in 1991 which was worth £9.9m.

Mr Brian Morris, chairman of MMG, said because of TT's resources "MMG will be better placed to exploit the growing worldwide markets for our products."

TT also revealed that it had held preliminary talks with the board of AB Electronics, the electronics group in which it recently bought a 7.41 per cent stake. TT described the talks as "constructive" but said discussions regarding its proposed merger are at an early stage.

In March TT bought a 7.5 per cent in ML Holdings, another electronics components manufacturer.

Fleming Enterprise net assets decrease

At June 30 1992, net asset value at Fleming Enterprise Investment amounted to 163.2p, compared with 165.8p a year earlier.

The managers said they were working on the basis that recovery would be tentative at best, until well into 1993.

Net revenue worked through at £1.78m (£1.91m) for earnings per share of 4.46p (4.77p).

The final dividend is 3.2p for a total of 4.5p (4.3p).

MTM to sell its country HQ in move to reduce borrowings

By Chris Tighe

MTM, the chemicals group, is to offer its country house headquarters for sale as part of its restructuring and debt reduction programme.

Rudby Hall stands in landscaped grounds on the North Yorkshire/Cleveland border. MTM said it is open to offers for the building; estate agents have yet to be instructed.

Mr Ken Schofield, newly appointed chief executive, has said his main objective is to reduce total indebtedness – £106.7m in May – to £50m.

The Hall, bought by MTM for some £250,000 in 1986 and restructured at a cost of £600,000, should fetch a seven figure price. The group plans to keep its headquarters functions in the north-east of England.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
National Australia Bank (Australia)	*Bank of New Zealand (NZ)*	*Banking*	*£425m*	*Main shareholders accept*
British Airways (UK)	USAir (US)	Airlines	£395m	BA gets global at last
Cementos Mexicanos (Mexico)	Sanson (Spain)	Cement	£314m	Second swoop by Cemex
Witco (US)	Unit of Schering (Germany)	Chemicals	£232m	Non-core disposal
Australia Post (Australia)/GTE Corp (US)	National Directory Services (Australia)	Telecom services	£158m	Joint bid lodged
Press Kogyo (Japan)	Press and Plattgruppen (Sweden)	Pressed components	£2.5m	Press to play in Europe
Bayerische Vereinsbank (Germany)	Schoeller & Co (Austria)	Banking	n/a	Raiffeisen Zentral retrenching
Allied-Lyons (UK)	Picard (France)	Food	n/a	French growth via Lyons
NEI Control Systems (UK) /Westinghouse Electric (US)	NEI-Westinghouse Controls (JV)	Control systems	n/a	Rolls/Westing house alliance progresses
Investor group (Argentine/Brazil)	Unit of Renault	Cars	n/a	Renault selling 67%

Source: FT Mergers + Acquisitions International

COMPANY NEWS IN BRIEF

ABERDEEN TRUST has taken full management control of Worth Investment Trust following acquisition of outstanding 50 per cent of Etoile Investment Management.

BSS GROUP: Recent rights issue taken up in respect of 3.91m ordinary shares (75.4 per cent of offer).

GEARED INCOME Investment Trust: Net asset value 79.49p (95.66p) at June 30. Net revenue for three-month period £326,367 (£333,489) for earnings of 1.48p (1.52p) per share. First interim dividend maintained at 1.5p.

QUILIGOTTI: Recent rights issue closed with acceptances of 20.1m shares, representing 46.1 per cent of offer.

TAMS (JOHN): Applications for the placing and open offer had been received in respect of 229,000 shares or 46 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Arlen	fin	nil	-	nil	nil	0.5
Banks (Sidney)	fin	5.5	Oct 10	5.5	8.25	8
Black Arrow	fin	1.6	Oct 1	1.6	2.1	2.1
Dyson (J&J)	fin	3	Oct 1	3	5	5
Fleming En'prise	fin	3.2	Oct 8	3.1	4.5	4.3

Dividends shown pence per share net except where otherwise stated.

COMPANIES AND FINANCE

Consob issues rules governing takeover bids

By Haig Simonian in Milan

CONSOB, Italy's stock market and companies watchdog, has released its long-awaited rules governing takeover bids, in a further step to reform the country's stock market.

The rules, governing the levels of share ownership which trigger a full bid, have been drawn up under bourse regulations which came into effect at the start of this year.

Unlike other countries' rules, Consob has not defined a single, uniform, level of share ownership obliging a raider to launch a full bid for a quoted company, with identical terms for all investors.

In the past, the absence of such rules in Italy has allowed control of leading corporations to change hands via deals between big shareholders, without the same terms being offered to small investors.

Consob has examined the ownership structure of all Italy's big quoted companies, and defined different levels for what it considers to be the "controlling" shareholding. In each case, an attempt to buy more than that proportion of the equity is defined as being sufficient to require a full bid.

The quota is sometimes surprisingly low. In the case of Generali, Italy's biggest insurance company and its best example of a widely held public company, Consob has taken the 5.96 per cent holding of merchant bank Mediobanca, the biggest single shareholder, above which a bid is triggered.

Consob's second category covers companies in which there is a single dominant investor, like Fiat, Ferruzzi Finanziaria or Pirelli, but which does not own an absolute majority of the shares. In this case, the trigger level is more than that held by the dominant shareholder.

These rules have been eagerly awaited by bankers for their effect on shareholders' pacts, which are commonly used to control big quoted Italian companies, where no single shareholder has an outright majority.

In the case of such pacts the watchdog has defined the "controlling level", above which a bid is triggered as the sum of the various stakes held by the pact's members.

Greece sells shipyard for $17m

By Kerin Hope in Athens

CEDRIC Investments, a Greek shipping group, has agreed to buy Neorion Shipyards, a state-owned yard on the Aegean island of Syros, for $17m in cash.

The group, led by two Athens-based owners, Mr Panayotis Tsakos and Mr Dimitrios Manios, undertook to retain the yard's 750-member workforce and to invest $20m in new equipment.

Two other Greek groups and one US shipping company made bids for Neorion, one of four loss-making Greek yards being sold off this year under the government's privatisation programme.

The sale was arranged by the state-owned Hellenic Industrial Development Bank (ETVA), the yard's main creditor. ETVA preferred to take an immediate cash payment rather than accept Mr Tsakos's alternative offer of Dr6bn ($31m) payable in instalments over 10 years.

Neorion, which specialises in repairs and conversions, reported losses of Dr509m on turnover of Dr5.36bn in 1990, the most recent figures available. The yard has accumulated debts of Dr16.3bn, mostly to state-owned banks.

Earnings at Asarco in sharp decline

By Barbara Durr in Chicago

ASARCO, the US integrated mining company, reported second quarter net earnings of $4.9m, or 12 cents per share, a sharp decline from the $15.4m, or 37 cents per share, in the same period last year.

Lower metals prices and slack production at several key mines cut into results. Sales were $487.2m for the second quarter, compared with $458.9m last year.

Copper production at the company's Ray mine in Arizona was impeded by heavy rains and at its Mission mine, also in Arizona, by lower grade and harder ores. Lead and zinc production fell at its Missouri mines because of lower ore grades.

In the three months ended June 30, the company's average realised price for copper declined 2 cents to $1.03 a pound, 10 cents for silver to $4.11 an ounce, and $29 for gold to $364 per ounce. The average realised price for lead remained flat at 26 cents a pound, while zinc rose rose 10 cents to 62 cents per pound.

Some of these adverse price and production effects were offset by a second quarter $2.1m dividend from the Southern Peru Copper Corporation and a credit of $3.4m from a settlement with Canadian tax authorities. The 1991 second quarter had benefited from a $5.1m gain from the sale of Asarco's shares in Highland Gold and a credit for capitalised interest worth $2.1m more than in the 1992 period.

For the first six months, Asarco had net earnings of $11.8m, or 29 cents per share, on sales of $945m. For the same period last year, net earnings were $23.4m, or 57 cents per share, on sales of $924.1m.

Zale files reorganisation scheme as losses mount

By Nikki Tait in New York

ZALE Corporation, the world's largest jewellery retailer which in January sought protection from its creditors under chapter 11 of the US bankruptcy code, last week filed a reorganisation plan with the Dallas courts.

The move came as Zale revealed net losses of $960m for the year to end-March, compared with losses of $54m in the previous 12 months. However, the losses were struck after a $811m provision for asset write-downs and restructuring expenses associated with the bankruptcy. Sales last year totalled $1.16bn, compared with $1.33bn.

The official creditors' committee is supporting the plan, along with banks and trade creditors. Under the plan, Zale's operating subsidiaries would be consolidated and much of the group's debt would be swapped for equity in the reorganised business.

Zale also said Swarovski International, a big shareholder in Zale since 1986, is "very interested" in participating in the reorganisation. "Swarovski has advised Zale that it would like to purchase a substantial amount of equity in the reorganised company," said the Dallas-based company.

SIH is a Zurich-based vehicle for the wealthy Austrian Swarovski family. The other leading shareholder in Zale is Peoples Jewellers of Toronto.

One-for-one bonus issue from Singapore Airlines

SINGAPORE Airlines (SIA), the flag carrier, proposed a one-for-one bonus issue at its annual meeting on Saturday, Reuter reports from Singapore.

The airline hopes the move will help its shares climb out of the narrow range of S$12 to S$13 each, which they have traded at since the end of the Gulf war in February 1991.

SIA's shareholding structure restricts trading: about 100 shareholders control 91.6 per cent of the airline. Local analysts said a bonus issue would make SIA shares more liquid. With more shares available for trading, prices could be expected to rise.

With a market capitalisation of S$9.13bn (US$5.6bn), SIA is Singapore's biggest listed company. It is also among the world's most profitable airlines.

However, analysts said the move was unlikely to make much difference to the price of foreign held shares. Trading in these is restricted by a ceiling on foreign ownership and the annual meeting made no decision to raise this limit. Foreign shareholders account for 27.1 per cent of SIA's capital.

SIA's management had earlier opposed the bonus issue, saying it was not in the best interests of long-term investors. It reversed its stand on Saturday after the annual meeting unanimously passed a resolution proposing the issue.

Nationwide in D-Mark notes plan

By Sara Webb

NATIONWIDE Building Society plans to issue D-Mark denominated notes as part of its Euro medium-term note (MTN) programme, following the Bundesbank's recent decision to relax the guidelines concerning the issuance of D-Mark paper by non-German borrowers.

Nationwide can issue up to $750m under its Euro MTN programme. The programme currently has about $500m outstanding and is part of the building society's wholesale funding programme.

Mr Paul Barratt, treasurer (risk management) at the building society, said it would be looking at opportunities for issuing D-Mark notes over the next few days: "We will be looking at the pricing and if an opportunity arises we will take it," he said.

The new Bundesbank guidelines on issuing D-Mark paper were announced earlier this month and come into force on August 1. Nationwide has appointed Merrill Lynch as its German arranger, and is appointing Westdeutsche Landesbank Girozentrale as a dealer under its existing Euro medium-term note programme.

Optimistic forecast after Nestlé sales rise 13.4%

By Ian Rodger in Zurich

NESTLE, the Swiss multinational food group which has just won permission from the European Commission to take over France's Perrier mineral water company, has reported a 13.4 per cent rise in salesin the first half to SFr26.3bn ($19.8bn) and forecast a "healthy net profit" for the full year.

The group said sales volume grew 3.3 per cent, with the remainder of the turnover growth coming from price increases and currency conversions. Volume increased in virtually all product groups and geographical areas, especially in Asia and north America, but it fell in Brazil.

The group said it expected volume to grow "perhaps even at a faster rate" in the second half, and foresaw increases in consolidated sales and net profit, provided that European currencies maintain their exchange rates with respect to the Swiss franc and the US dollar does not suffer "an even more marked plunge".

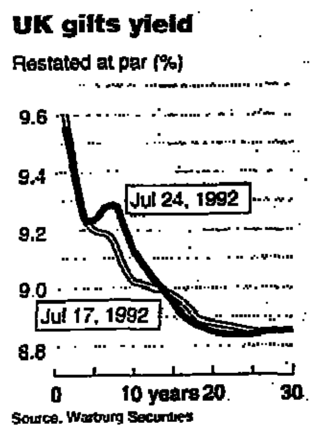
CONTRACTS & TENDERS

LEGAL NOTICES

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Cool response to new regime for public spending



"At the heart of the medium-term strategy is the need to return to a sensible level of public spending and to see taxes and government borrowing reduced . . . This review is crucial to the strategy, crucial to success in reducing the public sector borrowing requirement, lowering interest rates and bringing down inflation – and crucial if we are to find room for lightening the tax burden and so provide scope and encouragement for enterprise and initiative."

These were the phrases used by Sir Geoffrey Howe, the former UK chancellor, in his Budget speech in March 1980 – the event which led to a strategic rethink of UK public spending. With similarly ringing words, Mr Norman Lamont, the current chancellor, might last week have introduced his own reforms to the way Britain organises this part of the economy.

In fact, Mr Lamont said nothing in public. The new regime for public spending – which seeks to impose tough disciplines with a view to reining back increases in the public sector borrowing requirement was introduced not in parliament but in off-the-record briefings to journalists.

The gilt market – to which the question of future rises in public spending is crucial – was not greatly excited by the changes.

While gilts investors might have been expected to be impressed by the new approach – which is likely to lead to spending cuts of some £13bn in 1994-95 and 1995-96 – they focused last week mainly on other factors.

Since many of these are negative for gilts, the market as a whole behaved nervously. Prices were little changed for most classes of gilts although yields in the five to 10-year area rose by around 10 basis points due to a mild sell-off in this part of the yield curve.

Under the Treasury's new system for limiting public spending, in future years totals will be set using a "top down" approach involving the whole cabinet. The regime is designed to reduce the pace at which total government spending has risen in recent years. But the gilt market last week was every bit as worried about how much tax revenues – the other side of the PSBR equation – are likely to be depressed as a result of the weak growth probable over the next few years.

That concerns gilt investors on the basis that the more the PSBR goes up, the more gilts have to be issued and the greater the chances of a fall in prices due to a glut in supply.

According to estimates by Mr Michael Saunders of Salomon Brothers, revenues over the next few years are likely to be much less than the Treasury's projections in March. He reckons the shortfall will be £9.4bn in 1993-94, £17.4bn in 1994-95, £20.9bn in 1995-96 and £27bn in 1996-97. As a result, he is pencilling in much bigger PSBR numbers than the Treasury is predicting.

Over the weekend the Treasury came close to admitting that Mr Saunders' calculations are along the right lines by indicating that corporation tax revenues are likely to be lower than expected.

With other worries for the market also dominating last week – including the weak pound and the concern over whether the Maastricht agreement on monetary union might unravel – many gilt investors were in no mood to respond enthusiastically to any words from Mr Lamont, even had he uttered any.

Peter Marsh

US MONEY AND CREDIT

Three-way tug-of-war takes up the strain

THE stage is set for a complex tug-of-war in the US credit markets between political opinion polls, currency markets and economic statistics.

The three were neatly on display last week as central banks intervened to support the ailing dollar; as Mr Alan Greenspan, the Federal Reserve chairman, gave his twice yearly Humphrey Hawkins testimony to Congress; and as Mr Bill Clinton, Democratic presidential candidate, continued his surge in the polls.

It is slowly dawning on Wall Street that Mr Clinton could well be the next president. The Bush campaign is in such disarray, and the Clinton/Gore ticket seems to be so successfully tapping into an underlying desire for change, that Mr Clinton must have a reasonably good chance of winning.

If Mr Clinton sustains his momentum, Wall Street will grow increasingly jittery and the bond market particularly so. The Democrats, with their "tax and spend" history, are seen as the party of inflation, and Mr Clinton has yet to explain convincingly how he will fund his national investment programme.

Wall Street remains relatively sanguine, but the first twinges of anxiety are being felt in the foreign currency market, which is additionally concerned about Clintonian tax policies which could hurt foreign investment flows.

Political uncertainty, further signs of tardy American GDP growth and the huge interest rate differentials between the US and Germany, have meant a sharp fall in the dollar recently.

Last Monday, however, the US ended its long-standing benign neglect of the dollar's value and the world's central banks intervened to support it. The move stabilised not only the dollar but US bonds.

Yet the dollar could fall further if European rates stay high and if the Democrats sustain their advantage. And dollar weakness would be bearish for the bonds market.

However, pulling against these potentially adverse factors is the reality of a very weak US recovery, and low domestic inflation. Further evidence of economic sluggishness last week helped push the yield on long bonds down to the lowest level since January, with the yield touching 7.53 per cent on Thursday before ending the week at 7.56.

Mr Greenspan's testimony provided no surprises for the credit market. His faintly upbeat forecast that economic expansion would gain momentum soon concurred with the Wall Street consensus. He also said the Fed was leaning towards cutting money supply growth targets, as the relationship that existed between money supply and economic growth was not as strong as before. The implication is that this year's slow M2 growth, well below the Fed's target may not be so bad after all.

The upshot was to leave the market expecting little change in Fed policy, apart from a possible 25 basis points off the Fed funds rate if economic statistics turn grimmer.

Nevertheless, many analysts expect long bonds to continue rallying as inflationary concerns subside. But that may be to place too little emphasis on political risk, the Treasury's heavy funding needs, and the influence of foreign markets.

Martin Dickson

CANADIAN FUNDING

Enthusiastic reception shows appeal of provincial issues

CANADA's 10 provinces have a hearty appetite for funds and investors seem eager to satisfy it. The provinces and their utilities, such as Ontario Hydro and Hydro-Quebec, have tapped the domestic and international bond markets for about C$24bn so far this year. Last week alone British Columbia, Alberta, New Brunswick and Nova Scotia raised more than C$1.5bn in Canadian and US dollar-denominated bonds.

The appeal of Canadian provincial paper is reflected in a sharp narrowing of spreads over the past six months. Alberta's latest C$750m, five-year issue was priced to yield 7.07 per cent, or 30 basis points above comparable Canadian government bonds, whereas the spread was 54 basis points earlier this year.

While spreads may tighten a little further, investors are banking on further capital gains as Canadian interest rates continue to fall. The Canadian yield curve has never been steeper.

Three-month Treasury bills were yielding 5.25 per cent at the end of last week, down from a peak of almost 13.7 per cent in mid-1990. By contrast, long-term Canadian government bond yields have fallen from 11.5 per cent to 8.5 per cent in the same period. Mr Barry Calhoun, chief fixed-income dealer at Toronto Dominion Bank, predicts that long-term bond yields could slide 2 to 3 percentage points.

Investors increasingly view Canadian provincial issues as an alternative to US bonds, offering a higher yield without significantly greater risk. The spate of issues this year has greatly improved the liquidity of the provincial market.

Ontario's budget last April was a milestone in improving the climate for provincial bond issues.

The market had expected Ontario's 1992-93 deficit to soar from the original forecast of C$8.9bn to as high as C$14bn: instead the province's social democratic government announced a C$9.9bn shortfall for the coming year. The Bank of Canada's performance in beating back inflation has also been bullish for bonds and the currency risk appears small.

Cautious players would argue that the best of the provincial and Canadian bond market may be over. With Canada's economy still bumping along at the bottom of the cycle, several provinces may have difficulty meeting their budget deficit targets. Inflation is more likely to go up than down and negotiations over Quebec's future are entering a crucial phase.

But the enthusiastic response to the recent spate of provincial issues indicates that many investors believe either that Canadian bond prices still have some steam left, or that Alberta or Nova Scotia are safer havens for their money at present than some of the alternatives, especially in Europe.

Bernard Simon

EUROPEAN BONDS

Bundesbank fails to erase fears of interest rate rise

EUROPE's government bond markets remain volatile as the recent increase in Germany's discount rate failed to erase fears of further rate rises by the Bundesbank, and left higher-yielding European markets particularly vulnerable.

Mixed German economic data last week took its toll on the bund market. On Wednesday, money supply figures showed annualised M3 growth slipping to 8.7 per cent in June from a revised 8.8 per cent in May – well above the Bundesbank's target of 3.5 to 5.5 per cent.

The markets have speculated about further increases in German rates – specifically the Lombard rate – although some economists say that after the Bundesbank raised the discount rate from 8.0 per cent to 8.75 per cent on July 16, a further rise in German rates is unlikely.

More favourable were inflation figures for three western German states last week. The July annual inflation rate for Baden-Württemberg fell to 3.2 per cent from 4.2 per cent in June, while in Hesse, it fell from 3.7 to 2.7 per cent, and in North Rhine-Westphalia from 4.3 to 3.3 per cent. With Bavaria still to report, economists expect western German inflation to fall below 4 per cent in July.

Meanwhile, tensions within the ERM are playing havoc with some Mediterranean markets. On Thursday, Spain increased its key intervention rate from 12.4 to 13 per cent – following spending cuts and tax increases earlier in the week – pushing up yields on Spanish government bonds.

The lira has come under speculative pressure during the last month, with the markets wondering nervously if it will be devalued – forcing the Bank of Italy to raise interest rates. The Italian bond market has see-sawed wildly recently, and last week was no exception with continuing devaluation fears. News that the main credit rating agencies were considering downgrading some state-controlled enterprises did not help sentiment.

Tensions within the ERM seem likely to remain as the spectre of higher interest rates hangs over European bond markets and ahead of the French referendum.

Sara Webb

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼	-¼	4.77
ABN 9 1/8 94	200	107½	+¼	5.12
AETNA LIFE & CAS 7 3/4 16	200	103⅝	-⅛	7.42
ALBERTA PROVINCE 8 5/8 96	750	109⅝	+⅛	6.02
ALBERTA PROVINCE 9 3/8 95	600	111⅝	+⅛	5.45
AMERICAN EXPRESS ZERO 00	450	52⅛		7.93
AMERICAN GENERAL 9 3/4 95	100	109⅛	+⅛	6.02
AMERICAN INTL 0 04	750	39⅞	+⅛	7.95
ASIAN DEV BANK 0 04	1000	40⅛	+⅛	7.81
ASIAN DEV BANK 8 96	100	107⅛	+⅛	6.05
AUSTRALIA 11 95	200	113⅞	-⅛	5.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
SBAB 9 1/2 95	500	110½	+⅛	5.41
SBC FINANCE 7 3/4 96	200	107½	+⅛	5.66
SEAGRAM CO 8 1/2 96	100	103⅞		7.33
SEARS EURO TRUST 8 3/4 96	750	108⅞	+⅛	6.11
SEARS O/S FIN 0 98	500	66	+⅛	7.21
SEARS ROEBUCK EURO 9 3/4 95	500	109⅞	+⅛	5.85
SNCF 7 1/4 94	175	104		4.42
SNCF 9 1/2 98	150	114⅛	+⅛	6.50
STATE BK NSW 8 1/2 96	200	108⅞	+⅛	6.08
STATOIL 7 5/8 94	200	103⅞		5.04
SWEDEN 8 1/8 96	150	106⅛	+⅛	4.70
SWEDEN 9 1/4 98	350	113⅞	+⅛	6.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	87⅛	+⅛	7.25
AUSTRIA 4 5/8 98	100	89	-1	7.09
CHUBU ELEC POWER 6 3/4 01	300	96⅛	-⅛	7.24
COUNCIL EUROPE 4 3/4 98	250	88⅛	-⅛	7.33
EEC 5 1/2 00	100	90⅛	+⅛	7.06
EIB 6 1/2 98	800	97⅛	+⅛	7.02
ELEC DE FRANCE 7 1/4 06	100	101		[illegible]
FINLAND 5 3/8 95	150	94		7.50
GENERAL MOTORS 7 1/2 95	100	99		7.40
JAPAN DEV BK 5 1/2 94	100	96		5.37
KOBE 6 3/8 01	240	94	-1	7.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price

Closing prices on July 24

INTERNATIONAL BONDS

Crisis of confidence rips heart out of Ecu sector

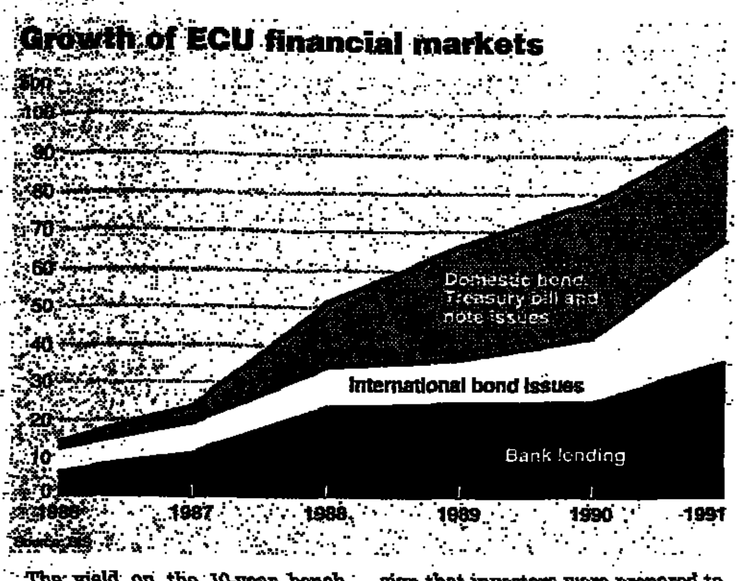
WAS it the triumph of hope – and hype – over reality? The Ecu bond market, long touted as the future face of European capital markets, ground to a halt last week as the pent up pressures within the exchange rate mechanism finally took their toll.

Traders returning to their desks this morning face an unenviable task. How do they convince investors that the market is still open for business when on Friday they had sent the clearest possible message that it is not? Banks which act as market makers in Ecu bonds were relieved of their normal obligations to trade with each other at quoted prices – though only for one day.

Traders claimed that this did not stop investors dealing – as, in fact, many were said to have done on Friday. But if the heart of the market's mechanism has been ripped out, how much of a market can truly be said to remain? And is the concern that spread through the investment community on Friday likely to ease quickly?

The tension in the Ecu market had been clear since early June, when Danish voters gave their damning verdict on the Maastricht plans for economic and monetary union. It took the German Bundesbank to finish the job. Its move a week and a half ago to raise the German discount rate by ¾ point gave the latest nudge to a market which already seemed to be tottering on the edge of an abyss. Ecu bonds duly fell off.

Growth of ECU financial markets



The yield on the 10-year benchmark, the French government's 8.5 per cent OAT due March 2002, had risen by the end of the week to just under 9.5 per cent, up around 25 basis points on the week and more than 50 basis points in the last month.

Perhaps a more significant indicator is that Ecu bonds are now thought to be worth less than the sum of their parts. As optimism over monetary union gathered momentum last year, yields on Ecu bonds fell to less than the theoretical yield of a basket of bonds made up of the component currencies – a sign that investors were prepared to pay a premium to invest in the prospect of monetary union.

One result was a rapid increase in the amount of bonds being issued in the international markets. As the graph indicates, borrowers turned away from issuing Ecu instruments in their domestic markets to rely more heavily on international investors last year.

After the Danish vote, though, the premium on Ecus vanished. Although it returned briefly, the discount disappeared again last week, as 10-year yields climbed to as much as 40 basis points over the "theoretical" level for Ecus.

Many banks were said to have been running long positions in the Ecu for some time. Last week, as more investors moved to unload their own stock, the one-way tide of paper finally forced the market makers to call it a day.

As the week wore on, there were already complaints that market makers were not answering their telephones or were otherwise making themselves unavailable. The International Securities Market Association, which oversees the market, took no immediate action.

"ISMA has to police this better," one Ecu trader complained. ISMA's sub-committee overseeing the Ecu market duly decided on Friday that enough was enough, and rather than try to force market makers back to their phones, it imposed a one-day "time out" to allow traders to recover from their battering.

Market makers argued that it was impossible to run a market when conditions had deteriorated so fast. "We are the messengers rather than the cause of the problem," complained Mr David Ovenden, head of the ISMA sub-committee.

Why should things be any better today than they were last Friday? With the French referendum on Maastricht nearly two months away, there seems little prospect of confidence returning to the Ecu market. And the current overhang of paper will persist for some time.

It seems that a core of market makers will regroup and re-establish the semblance of a market. Although there have officially been 44 market makers in Ecus, around three quarters of them in London, the real market has concentrated in perhaps 10 or a dozen banks, among them Paribas, Goldman Sachs, Morgan Stanley, J.P. Morgan, CCF and Indosuez. Enough of these core banks indicated on Friday that they would start making markets again today to suggest that the market will return.

Also, the maximum spreads market makers are allowed to quote have been widened to help protect them against a renewed round of selling. For most bonds, maximum spreads from today will have doubled.

It may also take official intervention to bring some confidence back to the market. The Bank of England and the French Treasury were in contact with market makers on Friday, concerned about the fate of their Ecu-denominated securities.

The message they were given: they should be prepared to intervene themselves to put a floor under Ecu bond prices. "I wouldn't be surprised, if the markets stayed volatile, to see some sort of action from the central banks," said Mr Ovenden.

Such assurances may help to shore up the market for now. But it is still likely to be a long and bumpy ride to the French referendum on September 20.

Richard Waters

Anthony Harris

A pfennig for your thoughts

THESE are hard times for contrarians. All the gloom in the world in the markets, yet prices keep falling. What can it be that they have failed to discount?

One thing is governments. Ever since President Hoover tried to talk the US economy up during the 1929 crash, markets have taken official reassurance with a pinch of arsenic; but they still try to do it. Tokyo provided a textbook example on Friday, when a ministerial meeting designed to reassure the markets knocked more than 500 points off equities.

Our own embattled Mr Norman Lamont may have done it again yesterday, with yet another stonewalling defence of the present strategy and worse, another forecast of recovery. One might have hoped that he would have learned from the sterling wobbles a week earlier, when every statement from Downing Street of unyielding commitment to the present D-Mark target for sterling drove the currency a bit lower.

Especially, perhaps, the announcement that if the D-Mark did revalue, we would go up too. Like Matilda's aunt when faced with lies, the market stared and stretched its eyes.

It is all meant to sound resolute, but what it actually arouses is memories stretching back, according to age, to Sir Stafford Cripps, or Mr Callaghan, or the umpteen devaluations between the first French proclamation of the *franc fort* and the actual achievement of a strong franc.

It is interesting to contrast these humiliations with the continued willingness of Wall Street to support implausible multiples in the face of complaints from the White House about the recovery's sluggishness – though at least they do have a recovery of sorts.

These reactions are in fact perfectly logical. Faced with disappointments, the markets do not like to be told that they are fussing about nothing. They prefer to learn that the authorities are disappointed too; that preserves the hope of remedial action.

Defensiveness, by contrast, breeds uncertainty: is the government really bent on punitive deflation, or stupid, or hiding something? The best policy in hard times appears to be frankness; failing that, silence.

Meanwhile, uncertainty is increasing from causes quite beyond government control. The confrontation with Iraq would be bad enough, without the appearance of a credible electoral challenge in the US, the disquiet on the government's back benches in London, and the grim implications for banking of any marked worsening in the worldwide recession.

The bond markets might be expected to provide the good news in bad times; but they are sulking too. In nearly all the main markets they can see enough fiscal problems stretching into the far future to preserve a more or less indefinite buyers' market – a sadly familiar picture in the London gilts market until a decade or so ago. In this respect the long-term prospect is in fact much better in New York and London than in markets which are traditionally better respected.

The demographic problems facing Britain and the US are a fleabite compared with those of Japan or of most continental European countries, and could be tackled with a moderate tax increase; but markets cannot be expected to adjust to such a change in their perceptions overnight. This is where authoritative government statements might be helpful rather than suggesting panic.

But if the markets are, in fact, slowly awakening to the emergence of deep-seated problems of government finance, the recent movement of prices makes a lot of sense. Permanent fiscal problems suggest a very durable rise in real long-term interest rates; and that in turn explains the closing gap between bond and equity yields.

In real terms it has been closed from the bond side. This has an especially strong message for London, since in most low-inflation countries the investment institutions have always preferred a far higher bond proportion in their portfolios than has been seen in London for more than 30 years. So the cult of the equity may indeed be over, failing a new burst of inflation. And on inflation, ministers are credible.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Penta-Ocean Constn.♦	200	1996	4	2.25	100	Yamaichi Intl.(Eur.)	2.250
Kuraray Co.♦	150	1996	4	2.25	100	Daiwa Europe	2.250
Marble 1(d)‡†	95	1997	5	(d)	100	IBJ Intl.	-
Marble 1(e)‡†	5	1997	5	(e)	100	IBJ Intl.	-
Telefonica Argentina(g)†	100	1995	3	8	100	Lehman Bros.Intl.	8.000
Bco de Cred.Argentino(h)	75	1994	2	9	98.666	Citicorp Inv. Bk	9.751
Toyota Motor Crdt.Corp.†	250	1995	3	5	100.8375	SBC	4.694
Alisa No.6(m)‡†	200	1997	5	(m)	100	Nomura Intl.	-
Am.Express Mst.Tst.(l)(1)	500m	1997	5	6.05	99.709	Lehman Brothers	6.118
Am.Express Mst.Tst.(l)(2)	500m	1999	7	6.60	99.62	Lehman Brothers	6.668
STERLING							
Nationwide B.S.(a)†	100	2007	15	10.5	100.10	CSFB	10.486
Haco Ltd(i)†	83	2017	15	10.625	99.857	Kleinwort Benson	10.638
CANADIAN DOLLARS							
GECC†	150	1996	4	6.5	100.95	ScotiaMcleod	6.224
GMAC†	100	1997	5	7¾	100.75	ScotiaMcleod Inc	7.533
Hypobank(a)†	100	1996	4	6¾	101.125	Hambros Bank	6.422
YEN							
SXL Corp.(b)†	15bn	1996	4.25	5.35	101.00	Yamaichi Intl.	5.077
Mitsubishi Estate Co†	50bn	1999	7	5.9	101.80	Nomura Intl	5.586
Mitsubishi Estate Co†	50bn	2002	10.25	6	101.70	Nikko Europe	5.772
Tokyo Dome Corp.(k)	15bn	1996	4.25	5.35	100	Yamaichi Intl.	5.343
AB Spintab(n)‡†	15bn	1997	5.083	(n)	100	Daiwa Europe	-
D-MARKS							
N.E.Finance of Japan†	200	1999	7	8.4	102.40	Deutsche Bk.	7.940
ECSC(j)‡†	372	1997	5	(j)	100.23	Deutsche Bk.	-
AUSTRALIAN DOLLARS							
Comm.Bk.of Australia†	100	2000	8	8.75	101	Comm.Bk.of Australia	8.572
SWISS FRANCS							
Kuraray Co.(c)♦**	100	1996	4	3.75	100	Credit Suisse	3.750
IBM Intl. Finance†	50	1993	1	9.25	101.30	Swiss Volksbank	7.848
Oekofunds†	170	2004	12	7¼	102.25	UBS	6.967
LUXEMBOURG FRANCS							
Postipankki(f)†	750	1999	7	9.25	102.15	Credit European	8.825
Cregem Intl.†**	500	1994	2	9.875	102.25	Cregem Intl.	8.603
Peugeot Fin Intl.**†	500	1995	3.25	9.50	102	Credit European	8.720

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ◆Variable rate note. †Final terms. a) Subordinated issue. Callable on 30.7.2002 at par. If call is not exercised coupon will be re-set to yield 250bp over 9% 2008 gilt. b) Put option on 13.11.95 at par. c) Callable on 6.8.94 at par and on 6.8.95 at 100.50pc. d) Tranche A of $100m deal. Coupon pays 120bp over 6-month Libor and payable semi-annually. Put option from July 1994. e) Tranche B of $100m deal. Coupon pays 60bp over 6-month Libor and payable semi-annually. Put option from July 1994. f) Subordinated issue. Non-callable. g) Coupon payable semi-annually. Non-callable. h) Coupon payable semi-annually. Put option 5.8.93 at 98.543. i) Borrower is a special purpose vehicle for nine UK Housing Associations. Debenture issue. Non-callable. Coupon payable semi-annually. j) Coupon pays 65bp below 6-month Libor. Non-callable. k) Put option 10/11/1995 at par. l) Global issue of registered bonds. Two tranche issue. Coupon payable semi-annually. Fees 45 bp. Issue priced 24/7/1992 at an indicated yield spread of 42-44bp (Tranche 1), 45-47bp (Tranche 2). m) Coupon pays 110bp above 6 month Libor. Non-callable. n) Coupon pays 30bp over 3 month Yen Libor. Fees undisclosed. Note: Yields calculated on ISMA basis.

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices July 24

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
5400	Abitibi Pr	$15⅜	15¼	15¼	−⅛
17700	AgnicoEa	$6⅝	6½	6⅝	+⅛
28200	Air Cda	500	495	500	
4100	Albrta En	$13⅛	12⅞	13	
500	AlbNtGas	$12¼	12¼	12¼	
213700	Alcan Al	$23½	22⅞	23⅜	+⅜
270700	Am Barr	$34⅛	33⅞	34⅛	−⅛
300	Alco Cl 1	$12⅛	12⅛	12⅛	+⅛
57300	Bk Montr'l	$47¼	47⅛	47⅛	−⅛
185200	Bk Nova Sc	$22⅞	22½	22½	−⅛
9200	BC Sugar A	$9½	9	9⅛	−¼
217600	BCE Inc	$46½	45⅝	46	+⅛
9500	Belmoral	13½	13	13½	
5700	BGR A	$7⅞	7⅝	7⅝	−⅛
38000	BombrdrB x	$15⅝	15½	15½	−⅛
6300	Bow Valley	$10⅞	10⅞	10⅞	
1000	BP Canada	$12	12	12	−¼
32900	Bramalea	80	76	80	+3
31400	Brascan A	$17⅛	17¼	17¼	−⅛
15200	Breakwater	46	46	46	
58700	BC Tel	$21⅛	20⅜	20⅝	+⅛
4300	Bruncor	$19½	19⅛	19⅛	−⅛
10200	Brunswick	$10⅜	10⅜	10⅜	
82900	CAE Ind	$6⅜	6¼	6¼	−⅛
168700	Cambior	$9⅞	9¾	9¾	−⅛
5300	Cambridge	$15¼	d15⅛	15⅛	−⅛
219700	Cameco	$16¼	16	16⅛	−⅛
16000	C'bell Res	58	57	58	+3
174600	CanImpBk	$27	26⅝	26⅝	−¼
4300	Can Occid	$28⅜	28⅛	28¼	+⅛
123400	Can Pac	$17⅛	17⅛	17⅛	−¼
200	Can Tire	$19½	19½	19½	
226500	CanTire A	$18¼	17⅝	17¾	−¼
41500	Can Util A	$21	20¾	20⅞	
4000	Can Util B	$21	21	21	
500	Canamax	30	30	30	
500	Centor	$28½	28⅜	28½	+⅛
4500	CnPcForest	$25½	25½	25½	
142900	Cara Op	445	440	440	−5
100	Cascades	$8¼	8¼	8¼	
500	Celanese	$42½	42¼	43	
700	Cntrl Cap	19	19	19	
4300	Cineplx Odn	305	300	300	
6600	Cntrl Fd A	u500	500	500	+5
35500	Cominco	$23	22⅝	22⅞	−⅛
4000	Computalog	43	d43	43	
35600	Corel Sys	$20¼	19½	19¾	+¼
2200	CoscanDev	$5⅛	5¼	5¼	
5000	CrownX A	114	110	114	+4
14000	Denison A	31	30	30	
78700	Derlan	$5½	5½	5½	
173200	Dofasco	$11¾	11⅝	11¾	−⅛
24400	Domnn Txt	$6¼	5⅞	6	−⅜
9100	Domtar Inc	$7¼	7	7⅛	
500	Du Pont A	$43	43	43¼	
28800	DundeeBncA	315	305	305	−15
32500	Echo Bay M	$7⅞	7⅝	7⅞	+⅛
800	Emco Ltd	$5¾	5¾	6	
1500	Empire	$10⅛	10⅛	10⅛	−⅜
1700	Euro Nev	$19⅝	19	19⅝	+½
200	FPI Ltd	290	290	290	
4900	FahnstkVnr	$8½	8⅜	8½	+⅛
17300	Finning	$13¾	13⅜	13¾	
1000	Fst Mara A	$10¾	10¾	10¾	
600	Fortis	$22⅛	22	22⅛	
2100	Four Seasn	$17⅞	17½	17½	−⅜
45000	FrancoNev	u$30¾	30	30¾	+½
217000	Galactic	14	13	13	
100	Gendis A	$17	17	17	
9500	Glamis Gld	415	405	410	−5
3000	Granges	137	137	137	
800	GtW Lifeco	$14⅝	14⅝	14⅝	
346300	Gulf Cda R	$5⅜	5¼	5⅜	
2500	GW Utils	$6	d5½	6	
2400	HarrisSt A	$6½	6½	6½	
100	Hawker Sid	$24¼	24¼	24¼	
30800	Hees Intl	$12¼	12	12¼	+¼
55800	Hemlo Gold	$10⅛	9⅞	10	−¼
138600	Hollinger	$10⅜	10⅜	10⅜	
300	Home Oil	$15½	15½	15½	−⅛
56300	Horsham	$9¾	9½	9½	−¼
500	HudsBayM&S	$5⅞	5⅞	5⅞	
900	HudsonsBay	$26⅞	26⅝	26⅝	−¼
2300	Imasco	$36⅞	36⅝	36⅞	+⅜
27800	Imp Oil	$44½	44⅜	44½	+⅛
190500	Inco	$37	36⅝	37	+¼
35700	Int Corona	u$6¼	6	6	−⅛
1500	IntMuresT	$17⅞	17⅞	17⅞	
5100	IntprvPipe	$25	24⅞	25	+⅛
3300	Invest Grp	$24	23⅞	24	+⅛
2700	Ivaco A	440	435	435	
5200	Jannock	$15¼	15¼	15¼	
600	KerrAddis	$14⅝	14⅝	14⅝	+⅛
37100	Labatt	$27½	27⅛	27⅜	+⅛
152100	Lac Mnls	$9¼	9⅛	9¼	
100	Lafarge	$17¼	17¼	17½	
9200	Laidlaw A	$11½	11⅜	11½	−⅛
74300	Laidlaw B	$11½	11⅜	11⅜	−⅛
500	Laurent Bk	$17½	17½	17½	
10000	Laurent Gp	$5⅝	5⅝	5⅝	
400	Lawson Mar	$9¾	9¾	9¾	
8300	Loblaw	$16¾	16⅝	16¾	−⅛
59300	Mackenzie	$5¾	5½	5½	−¼
37100	Macm Bl	$17⅜	d17	17⅛	−⅜
99400	Magna IntA	$29	28¼	28¾	−¼
6400	Mpl U Fds	$15½	15⅜	15½	+⅛
7800	Marit T&T	$19⅝	19⅜	19½	
1300	Mark Res	490	480	490	
1800	MDS Hlth B	$14⅞	14¾	14¾	
700	Metall Min	$13¾	13¾	13¾	
3200	Minnova	$16¼	16¼	16¼	
16500	Mitel Corp	188	184	185	
14100	Molson A	$31⅜	30¾	30¾	−½
35300	Moore Corp	$22⅛	21¾	21⅞	−⅛
10000	Muscocho	7	6½	6½	
22700	Nat Bk Can	$9	8⅞	8⅞	−⅛
1400	Noma Ind A	$6⅛	6⅛	6⅛	−¼
13800	NorandaFor	$8	7⅝	7⅝	−⅜
132800	Noranda	$19½	19⅜	19⅜	−⅛
300	NorcnE 12	$25	25	25	
3600	NorcnEVtg	$20⅝	20⅝	20⅝	−⅛
84200	Nth Tele	$42⅛	41½	42	+⅜
4000	Northgate	90	90	90	+4
256100	Nova Corp	$8½	8⅜	8⅜	−⅛
200	Nowsco WSv	$9½	9½	9	
11500	Numac Oil	$5¼	5	5¼	+¼
69200	Onex Corp	$8⅜	8¼	8¼	−⅛
8400	Oshawa A	$20⅞	20½	20¾	+⅛
33600	PWA Corp	$5⅛	5	5	−⅛
130400	Pagurian A	355	340	355	+20
300	Pancdn Pet	$24⅝	24⅝	24⅝	−⅜
12900	Pegasus	$19	18¾	19	−¼
5000	Pioneer Mt	20	20	18½	
121400	PlacerDome	$13⅝	13¼	13⅝	
45100	Poco Pet	435	425	430	
7800	Power Corp	u$15½	15¼	15¼	−⅛
27500	Power Fin	$20⅞	20½	20¾	−⅛
7000	Quebecor A	$14½	14½	14½	−⅛
10900	Ranger Oil	$8⅜	8¼	8¼	
1800	Rayrock	$8⅞	8⅞	8⅞	−⅛
300	Reed Sten	$27⅜	27⅜	27⅜	
300	Reitman S	$16	d16	16	
60000	Ren'ssance	$15⅜	15¼	15¼	
63900	Repap Ent	295	290	293	+3
121300	Rio Algom	$17⅛	17	17⅛	
54900	RogersComB	$14	13⅞	14	+⅛
300	Rothmans	$90	88	90	
128600	RoyalBkCan x	$25¼	24¾	24⅞	−½
192700	Ryl Oak Mn	249	241	249	
300900	RylTrustco	$5⅞	5½	5¾	−¼
1000	StLawCm A	$10	9⅞	10	+½
384500	Sceptre Rs	42	39	41	+3
4600	ScottPaper	$15½	15½	15½	
8900	Scotts Hos	$14⅛	14	14	−⅛
163500	Seagram Co	$34⅛	34	34	−⅜
23300	Sears Can	$8	7⅞	8	+⅛
36600	ShellCan A	$41¼	41⅛	41⅛	+⅛
1200	Sherritt G	$8⅝	8⅝	8⅝	
25400	SHL Syst	$8⅜	8⅜	8⅜	+⅛
366200	SNC Group	$11	d10½	10½	−½
4000	Sonora Gld	20	17½	20	
2900	Southam	$16	16	16	−⅛
600	Spar Aero	$15⅝	15½	15½	−¼
62400	Stelco A	390	375	385	
65800	Teck B	$21½	21¼	21⅜	−⅜
4400	Teleglobe	$13	12⅞	13	+¼
50200	Thomson	$14⅜	d14	14¼	−⅛
58200	Tor Dom Bk	$18⅜	18⅛	18⅛	−⅛
154500	Torstar B	$21⅛	21	21⅛	+⅛
20600	TotalPNAm	$8¾	8¾	8¾	
119600	TransAlta	u$14	13⅞	13⅞	
171800	Transcan P	$18	17⅞	18	
500	Trimac	$7¼	d7¼	7¼	
28100	Trizec A	450	445	450	
14800	UAP A	u$17¾	17⅝	17¾	
7100	UnionEnt	u$15¾	16¼	15⅝	+⅝
300	UnitedCorp	$27¼	27¼	27¼	−¼
1000	UtdDomInd	$10⅞	10⅞	10⅞	−⅛
3800	Univa	$7¼	7	7	+⅛
12600	Viceroy Rs	495	490	495	
18400	W'coast E	$16¾	16½	16⅝	−⅛
19700	Weston Geo	$37½	37	37	−⅜
8600	WIC B	$14⅛	14⅛	14⅛	

1 - No voting rights or restricted voting rights

MONTREAL

4:00 pm prices July 24

Sales	Stock	High	Low	Close	Chng
37600	BombrdrB x	$15⅝	15½	15⅝	
13900	Cambior	$9¾	9¾	9¾	−⅛
46700	CanImp Bk	$27	26¾	26¾	−¼
1000	CanMarconi	$16⅜	16⅛	16⅜	
28100	Cascades	$8⅜	8¼	8¼	
1600	DominTxt A	$6⅛	6	6	−⅜
1000	MacleanHnt	$11⅞	11⅞	11⅞	
73600	NatBk Can	$9	8⅞	9	
13000	Quebecor A	$14½	14½	14½	−⅛
300	Teleglobe	$12⅞	12¾	12⅞	+⅛
10700	Univa	$7	7	7	+⅛
5400	Videotron	$17⅜	17¼	17¼	−⅛

Total Sales 8,716,300 shares

INDICES

NEW YORK

DOW JONES	Jul 24	Jul 23	Jul 22	Jul 21	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3285.71	3290.04	3277.61	3308.41	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.64	101.47	101.35	101.44	101.64 (24/7)	98.41 (20/3)	101.64 (24/7/92)	54.99 (1/10/81)
Transport	1273.19	1269.74	1270.89	1291.77	1467.68 (30/2)	1269.74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.52	217.83	218.14	218.20	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3305.70 (3308.41) Low 3261.94 (3255.45)

STANDARD AND POOR'S	Jul 24	Jul 23	Jul 22	Jul 21	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	411.60	412.08	410.93	413.76	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	482.84	483.31	481.91	485.61	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.67	35.94	35.92	36.07	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	226.48	226.66	226.13	227.47	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	382.53	382.50	383.17	384.82	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	565.61	565.24	563.88	568.63	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 17	Jul 10	Jun 26	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.13	3.14	3.04

	Jul 22	Jul 15	Jul 8	year ago (approx.)
S & P Industrial div. yield	2.68	2.64	2.68	2.77
S & P Indl. P/E ratio	28.50	28.95	28.45	19.02

	Jul 24	Jul 23	Jul 22	Jul 21	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1609.6	1610.7	1607.2	1609.2	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	716.5	715.5	713.4	718.7	736.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	325.47	334.36	337.89	342.01	458.57 (24/2)	325.47 (24/7)
Traded Index (2/1/91)	771.06	794.36	803.19	811.95	1099.43 (24/2)	771.06 (24/7)
BELGIUM						
BEL20 (1/1/91)	1134.06	1139.89	1145.35	(c)	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	308.46	309.13	308.92	309.17	365.29 (15/1)	308.46 (24/7)
FINLAND						
HEX General (28/12/90)	696.7	706.1	714.8	714.3	935.90 (24/2)	696.70 (24/7)
FRANCE						
CAC General (31/12/82)	476.45	476.98	481.52	484.79	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1734.62	1734.56	727.49	1762.67	2077.49 (11/5)	727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	639.94	648.76	649.04	656.32	725.26 (26/5)	639.94 (24/7)
Commerzbank (1/12/53)	1807.20	1833.40	1834.60	1854.50	2043.80 (25/5)	1807.20 (24/7)
DAX (30/12/87)	1610.42	1623.37	1628.22	1659.77	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5772.76	5917.16	(c)	6010.44	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1267.18	1276.36	1279.63	1278.44	1469.57 (17/1)	1267.83 (9/7)
ITALY						
Banca Com. Ital. (1972)	406.36	408.07	409.76	411.71	551.59 (6/2)	406.36 (24/7)
MIB General (2/1/92)	797.0	800.0	803.0	807.0	1086.00 (5/2)	797.00 (24/7)
JAPAN						
Nikkei (16/5/49)	15497.79	16039.94	15541.95	16002.41	23801.18 (6/1)	15497.79 (24/7)
Tokyo SE (Topix) (4/1/68)	1204.55	1227.82	1205.75	1229.38	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1771.56	1782.92	1795.70	1822.23	2459.85 (6/1)	1771.56 (24/7)
MALAYSIA						
KLSE Composite (4/4/86)	593.53	602.24	608.79	605.16	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	287.3	289.1	289.6	292.1	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	196.4	197.6	197.6	199.6	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	658.50	654.86	649.20	657.56	772.74 (18/5)	643.24 (20/7)
PHILIPPINES						
Manila Comp (2/1/85)	1463.39	1470.76	1453.79	1433.04	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	381.58	387.52	391.01	389.56	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1122.04	1139.0	1111.0	1121.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4130.04	4160.0	4156.0	4213.0	4689.00 (4/6)	4130.00 (24/7)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	521.99	518.53	526.00	511.84	691.48 (8/2)	505.30 (20/7)
SPAIN						
Madrid SE (30/12/85)	213.24	214.03	216.10	220.56	266.51 (28/2)	213.24 (24/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	834.70	839.40	851.5	860.50	1014.50 (11/5)	834.70 (24/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	798.8	801.6	799.7	811.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	607.9	608.8	607.1	616.0	682.30 (11/5)	601.10 (8/1)
TAIWAN **						
Weighted Price (30/6/66)	4022.16	3978.87	4154.80	4159.02	5391.63 (30/1)	3978.87 (23/7)
THAILAND						
Bangkok SET (30/4/75)	746.16	753.92	757.96	754.25	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	482.8*	487.5	485.9	491.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	840.14	845.15	845.70	859.32	976.55 (25/5)	840.14 (24/7)

**Saturday July 18. Taiwan Weighted Price 4248.55, Korea Comp Ex. 505.64.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Ryl Apol	10,285,500	8⅞	-12¼
Telefonos	3,291,600	44⅛	-2⅜
Chem Bank	1,805,100	34¼	+¼
Blockbuster	1,630,000	11½	-⅛
Compaq	1,596,600	29½	+1
IBM	1,537,200	92½	-¼
RJ Nabisco	1,334,100	9	....
McDonalds	1,279,300	43⅞	+1½
Gen Elect	1,206,400	74¼	-2⅛
Gen Motors	1,181,200	39¼	+¼

TRADING ACTIVITY

† Volume (Millions)	Jul 24	Jul 23	Jul 22
New York SE	163.870	175.460	191.421
Amex	9.879	10.318	10.451
NASDAQ	(u)	164.560	168.350
NYSE			
Issues Traded	2,279	2,293	2,296
Rises	860	917	644
Falls	839	763	1,059
Unchanged	580	613	593
New Highs	59	58	44
New Lows	35	30	30

CANADA

TORONTO	Jul 24	Jul 23	Jul 22	Jul 21	1992 HIGH	1992 LOW
Metals & Minerals	3102.00	3081.30	3126.11	3140.34	3238.87 (16/1)	2828.26 (8/4)
Composite	3400.97	3412.20	3412.10	3425.21	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1795.91	1798.20	1799.75	1803.04	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 24 July 1992

	Stocks Traded	Closing Prices	Change on day
NPN Steel	4.3m	267	-8
Nippon Jutaku	3.0m	172	-13
Meiji Milk	2.7m	922	-10
Hitachi	2.3m	745	-5
Sharp Corp	2.3m	852	-68
Toshiba Corp	2.1m	615	-5
Daikyo Kanko	2.0m	621	-60
Mitsubishi El	2.0m	445	-11
C - Itoh	1.9m	363	-5
Okura	1.5m	855	-15

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

ITALY

GERMANY (continued)

NETHERLANDS

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

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AUTHORISED UNIT TRUSTS

For Matheson see Cannon UT

For Mayflower Mngmt see Sheppards UT Mngmt

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2860

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American	5	123.7	123.7	131.6	0.00	40918
(Accum Units)	5	132.2	132.2	140.7	0.00	40919
American Opps	5	49.18	49.18	52.46	0.00	40922
(Accum Units)	5	49.86	49.86	53.19	0.00	40923
British Blue Chip	5	59.22	59.24	63.19	4.22	40924
(Accum Units)	5	67.74	67.77	72.29	4.22	40925
Cash*	0	102.0	102.0	102.0	9.81	46004
(Accum Units)*	0	123.5	123.5	123.5	9.81	46003
European Growth	5	151.9	151.9	160.8	0.54	40926
(Accum Units)	5	161.2	161.2	170.7	0.56	40927
European Income	5	58.79	58.79xd	62.28	3.77	40928
(Accum Units)	5	73.43	73.43xd	77.79	3.77	40929
General	5	365.4	367.3	391.8	3.10	40952
(Accum Units)	5	679.1	682.6	728.2	3.10	40993
Global Bond	5	105.3	105.3	110.6	6.68	41118
(Accum Units)	5	112.3	112.3	118.0	6.68	41119

For National & Provincial UT Mngrs see N&P UT Mngmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 9RA 071-407 4404

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Newton Income	6	153.53	156.93xd	166.94	5.48	41593
Newton Global	6	191.79	191.79	204.04	1.70	41594
Newton General	6	122.20	125.45	133.46	3.52	41650
Newton Intl Bd	6	97.58	99.18	105.52	7.47	40212

Norwich Union Tst Managers (1200)H
PO Box 124 51/59 Rose Lane, Norwich 0603 682234

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Master Trust	6	83.27	83.27	88.58	4.05	46992
UK Equity	6	101.50	103.10	109.68	4.57	41111
UK Equity Income	6	95.47	97.87	104.12	6.10	46405
UK Smaller Co's	6	86.63	90.03xd	95.78	3.11	46936
UK Equity Growth	6	95.11	96.71	102.88	5.08	46934
Bk Index Tracking F	6	101.23	101.87	108.37	4.85	47662
Intl Index Tracking F	6	87.34	88.20	93.83	1.60	40264
International	6	142.71	144.27	153.48	2.41	41112
European	6	116.24	117.11	124.58	1.49	41114
Pan European	6	87.63	88.67	94.33	3.52	43997
Nth American	6	113.45	114.61	121.93	2.25	41115
Nth Amer Smllr Cos	6	98.39	100.76xd	106.66	0.00	47663
Japanese	6	48.45	49.17xd	52.31	0.00	47005
Pacific	6	115.47	117.22xd	124.70	1.31	41113
South East Asian	6	118.31	120.20	127.87	1.56	46933
International Bond	6	101.33	101.45xd	107.93	6.70	46931
Gilt & Convertible	6	98.83	99.07xd	105.39	7.99	46930
Property F	6	67.79	69.75xd	74.20	6.87	44760
Cash Deposit Accum F	0	101.94	101.94	101.94	9.51	40555

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	248.7	248.7	264.6	0.88	41410
(Accum Units) ♥	5	292.7	292.7	311.4	0.88	41411
British	5	766.1	783.8	829.3	6.50	41416
(Accum Units)	5	1284.7	1314.4	1390.7	6.50	41417
European	5	329.2	329.2	350.6	1.37	41418
(Accum Units)	5	356.9	356.9	380.1	1.37	41419
Japan	5	83.14	83.14	88.37	–	41420
(Accum Units)	5	83.91	83.91	89.08	–	41421
New Pacific	5	194.9	195.4	208.1	1.68	46365
(Accum Units)	5	202.5	203.0	216.2	1.68	47994
[illegible] Jun 12	0	132.5	134.2	142.3	–	47588
Kingd Equity	5	119.0	120.1	127.1	3.04	47586
Kingd Equity Acc	5	128.3	129.5	137.0	3.04	46956
Kingd Cash	0	95.90	95.80	95.80	9.56	47565
(Accum Units)	0	122.4	122.4	122.4	9.56	40567
Majority Stg	1	99.91	99.91	100.91	9.40	42703
Majority Stg Acc	1	112.70	112.70	113.83	9.40	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300						Dealing 0277 261010
International Jul 15	0	48.02	48.02	48.40	11.53	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham						0403 232323
Equity	6	575.6	575.6	615.6	3.39	41423
North America	6	74.23	74.23	79.39	0.83	41424
Far East	6	78.51	78.51	93.97	0.54	41425
W'wide Bond	6	47.45	47.45	50.48	6.18	41426
European	6	63.58	63.58	68.00	1.44	41429
Equity Income	6	62.88	63.78xd	68.19	5.57	41430
Portfolio	6	53.59	53.59	57.32	1.96	41431
UK Leading Cos	6	41.15	41.75	44.41	3.43	–
Broker Trusts						
Intnl Equity	6	41.65	42.17	45.20	3.03	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants						0800 525725
American Growth	6	24.57	24.57	26.28	0.73	47795

Fund	Bid Price	Offer Price	Yield Gross	City-line
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Jul 22	£848.1	4019.4	[illegible]	[illegible]
European Jul 22	£563.4	569.5	[illegible]	[illegible]
American Jul 22	£323.6	326.5	[illegible]	[illegible]
Japan Jul 22	£361.9	367.0	[illegible]	[illegible]
Pacific Jul 22	£138.1	141.4	[illegible]	[illegible]
W Midlands Jun 30	£126.30	141.40	[illegible]	[illegible]
Local Authorities Mutual Invest. Tst				
2 Fore Street, London EC2Y 5AQ				071- [illegible]
Property Jun 30	189.30	193.10	[illegible]	[illegible]
Equity Jun 30	856.95	868.95	[illegible]	[illegible]
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jul 23	106.44		[illegible]	[illegible]
(Accum Units)	601.66		[illegible]	[illegible]
NAACIF Jul 21	40.75		[illegible]	[illegible]
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jul 21	123.7	132.9	[illegible]	[illegible]
UK Small Co † Jul 21	473.0	520.2	[illegible]	[illegible]
Fixed Interest † Jul 21	111.2	117.0	[illegible]	[illegible]
US Small Co Jul 21	136.2	145.7	[illegible]	[illegible]
Managed Jul 21	103.3	110.7	[illegible]	[illegible]
Intl Bond Jul 21	122.3	129.0	[illegible]	[illegible]
Japan Jul 21	54.51	58.10	[illegible]	[illegible]
European Jul 21	87.78	94.14	[illegible]	[illegible]
Sth American Jul 21	103.7	111.9	[illegible]	[illegible]
Morgan Stanley International				
UK Exempt	£1042.61	1066.94	[illegible]	[illegible]
Overseas Exempt	£939.23	967.83	[illegible]	[illegible]
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	48.24	50.12d	[illegible]	[illegible]
European Exempt	46.84	48.29d	[illegible]	[illegible]
Fixed Int Ex Jul 22	46.94	47.39d	[illegible]	[illegible]

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA — 071-638 5757

Fund	Bid Price	Offer Price	Yield Gross	City-line
UK Equity	299.9	318.8	–	42476
Fixed Interest	65.1	69.3	–	42477
N. America	238.4	253.7	–	42482
Far East	328.8	349.8	–	42483
Global Managed	308.2	327.9	–	42484

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB — 031-550 5000
LAS Investment Assurance

Fund	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	252.6	265.9	–	42674
UK Equity	426.1	448.6	–	42675
Property	292.5	307.9	–	42676
Money Market	231.0	243.2	–	[illegible]
Fixed Interest	273.2	287.6	–	[illegible]

NEL Britannia Assce Co Ltd – Contd.

[illegible]

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	Bid Price	Offer Price	Yield Gross	City-line
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135 4	142.5	–	43235
Property Acc (Gross)	258.0	271 6	–	43236
Equity (Gross)	816 4	859.3	–	43237
Managed (Gross)	582.1	612.8	–	43238
Property Acc. (Net)	123.4	129.9	–	43239
Equity (Net)	190.7	200.7	–	43240
Adventurous Managed	88 6	93.3	–	41201
Managed (Net)	179.8	189.3	–	43241
Cautious Managed	96.1	101.2	–	41202
International (Net)	152.0	160 0	–	43242
Gilt & Fixed Interest	142.4	149 9	–	43243
Money Fund	140.5	147.9	–	43244
Mixed Fund (Cap)	115.5	121 6	–	46550
Mixed Fund (Acc)	120 1	126.5	–	46548
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	631.0	664.3	–	43245
Ret Man (Series 2)	214 0	225.3	–	43246
Ret Cash	198 4	208.8	–	43247
Pens Mixed Fd (Cap)	127.9	134.7	–	46559
Pens Mixed Fd (Acc)	133.0	140 0	–	46558
Pens Stlg Fd (Cap)	103 9	109.4	–	46561
Pens Stlg Fd (Acc)	108.1	113.8	–	46560

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
American	125.0	132.0	–	43285
Building Soc. Fd	224.0	236.0	–	43286
Balanced	256.0	269.0	–	43287
European	200.0	211.0	–	43289
GT Managed	178.0	188.0	–	43290
Gartmore Mngd.	117 0	124.0	–	43291
German	126.0	133 0	–	43292
Gilt	170 0	179 0	–	43293
Global	38.0	40.0	–	46834
International Equity	184.0	194.0	–	43295
Japan	138.0	145 0	–	43296
Leisure	48.0	51.0	–	40526
Managed	41.0	44 0	–	43297
Property	294.0	310.0	–	43298

	Bid Price	Offer Price	Yield Gross	City-line
Provident Mutual Life Assc. Assn. – Contd.				
Pension Funds				
Managed Ord	441.7	464.9	–	43498
Managed Init	321.6	338.5	–	43499
Equity Ord	669.7	704.9	–	43500
Equity Init	487.6	513.3	–	43501
Per Ind Lkd Gilt Ord	186.9	196.7	–	43502
Per Ind Lkd Gilt Init	142.1	149.6	–	43503
Overseas Equity Ord	279.7	294.4	–	43504
Overseas Equity Init	203.6	214.3	–	43505
Property Ord	281.1	295.9	–	43506
Property Init	204.6	215.4	–	43507
Fixed Interest Ord	293.7	309.2	–	43508
Fixed Interest Init	213.8	225.1	–	43509
Deposit Ord	270.3	284.5	–	43510
Deposit Init	196.8	207.2	–	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prubond				
Managed Jul 22	247.5	257 9	–	43512
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jul 22	£178.34	184.05	–	43539
Equity Jul 22	£204.32	211.31	–	43540
International Jul 22	£25.24	25 95	–	43541
Intl Bond Jul 22	£14 23	14.44	–	43542
Fixed Int Jul 22	£106.17	107.37	–	43543
Index Linked Jul 22	£76.16	77.12	–	43544
Property Jul 22	£109.77	115.83	–	43545
Cash Jul 22	[illegible]	[illegible]	–	43546
Pru-Linked Retirement Plan				
Managed Jul 21	427.3	445.2	–	43547
Cash Jul 21	284.6	296.5	–	43548
Prudential Pensions Investment Account				
Pens Mngd Jul 23	169.1	181.8	–	43549
Pens UK Eq Jul 27	297.4	320.7	–	43550
Pens Intl Jul 27	179.9	192.8	–	43551
Pens Global Eqty Jul 23	93.3	98.3	–	40528
Pens Fixed Jul 27	241.4	254.9	–	43552
Pens Index Lk Jul 27	194.3	205 2	–	43553

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM						0624 627610
Intl Gr(t	5¼	451 9	451 8	484 31	0 9	45098
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM						0624 661020
L.J. International	5¼	86 60	86 60	93.39		44804
Mercury Fund Managers IoM Ltd						
11 Hill Street Douglas IoM						0624 662255
Merc IoM Fund	5	99 48	98 48	105 1	6.2	45970
Merc Intl Bond	5	50 53	50.53	53.13	8.6	45971
Sun Life Management (IoM) Ltd						
PO Box 179 Douglas IoM						0624 622444
Secure High Income	6	1 0928	1 0928	1 1287	17.97	47366
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM						06246 26484
Scandinavia Fd	5	–	129 07	137 58	1 0	45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (SG) Ltd				
SG International	$10 99		–	45889
Appleton Financial Advisors Ltd				
Appleton Capital Trust	94 0	100 0	–	–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd	$17 11	18 50	–	46369
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
[illegible]	0 50	0.58	0 00	47332
[illegible]	50 96	1 11	0 00	47333
[illegible]	107	107	2 64	47334

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV July 18 C$13 04						
First Aust Prime Inc Inv Co Ltd NAV July 16 US$10 95						
NAV Diluted to reflect exercise of all Wrts C$12.74 US$10 69						
Fidelity Investment (CI) Ltd						
Sterling American			22 466	23891	–	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16 53		–	45896
Foreign & Colonial Mngmt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10 77		–	45005
Sterling Cash			£12 11		–	45007
US$ Bonds			$15 33		–	45008
Multicurrency Bonds			$20.78		–	45009
Sterling Bonds			£13 45		–	45010
D Mark Bonds			DM10 57		–	45011
Ecu Bonds			Ecu11 38		–	45013
UK Equities			£9.73		–	45014
US Equities			$16.37		–	45015
Japanese Equities			Y540		–	45016
Conti Euro Equities			DM15 79		–	45017
UK Negative Equities			£13 59		–	–
US Negative Eq			$10 16		–	–
Japanese Negative Eq			Y–		–	–
Cont Eur Negative Eqs			DM–		–	–
UK Geared Equities			£–		–	–
US Geared Equities			$–		–	–
Japanese Geared Eqs			Y–		–	–
Conti Euro Geared Eqs			DM–		–	–
Gold			$10 22		–	–
John Govett Management (Jersey) Ltd						
[illegible]			$10 48		–	47997
[illegible]			$9 54		–	47863
Paragon Fd NAV Jun 30			$10 54		–	47955
Paragon Redemption			$9 91		–	47106
Hungarian Inv Co Jun 30			103 42		–	40573

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Whither the dollar?

Despite the concerted central bank intervention to keep the dollar above its all-time low, investors remain uncertain about what the US currency will do next, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

The upside for the dollar could be strong. The currency was boosted at the end of last week by figures for durable goods sales, which rose 2.3 per cent in June after a revised fall of 2.2 per cent in May. The central bank intervention also made clear that the Federal Reserve is unwilling to see the currency dip below the all-time low against the D-Mark of DM1.4430.

The dollar should get additional strength from this week's German cost of living figure, which is likely to show a fall in annualised inflation by 1 per cent to about 3.3 per cent. That could underline the case of those in the Bundesbank who do not want to see another Lombard rate rise.

The reasons to be bearish about dollar/D-Mark remain strong, however. They are the huge differential in German and US short term interest rates and the overshooting of the Bundesbank's M3 money supply target.

The preliminary estimate for second quarter growth in the US, due out on Thursday, will give some indication of whether the Federal Reserve is still justified to forecast US economic growth next year at 2¼ per cent. The conference board's consumer confidence index, due tomorrow, will also be watched by the markets.

But with few important indicators due in either the US or the UK in the next two weeks, the exact outlook for the dollar and sterling is uncertain. As one London dealer says: "I have very little by way of positions and little certainty of where things are moving. We could be in for one of those lazy summer seasons."

£ IN NEW YORK

July 24	Close	Previous Close
£ Spot	1.8935-1.8945	1.9155-1.9165
1 month	1.09-1.07pm	1.09-1.08pm
3 months	3.19-3.17pm	3.21-3.19pm
12 months	11.20-11.1pm	11.35-11.2pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 24	Previous
8.30 am	92.2	91.8
9.00 am	92.2	91.7
10.00 am	92.2	91.9
11.00 am	92.2	92.0
Noon	92.2	91.9
1.00 pm	92.1	91.9
2.00 pm	92.2	91.9
3.00 pm	92.1	91.9
4.00 pm	92.0	92.0

OTHER CURRENCIES

Jul 24	£	$
Argentina	1.8850 - 1.8880	0.9900 - 0.9910
Australia	2.5490 - 2.5510	1.3390 - 1.3400
Brazil	7535.55 - 7539.90	3957.75 - 3957.95
Finland	7.7845 - 7.8075	4.0930 - 4.0960
Greece	346.500 - 352.100	181.140 - 184.040
Hong Kong	14.7200 - 14.7335	7.7375 - 7.7385
Iran	2735.00*	1435.00*
Korea(Sth)	1492.75 - 1516.80	783.70 - 789.90
Kuwait	0.55265 - 0.55355	0.29040 - 0.29080
Luxembourg	58.45 - 58.55	30.55 - 30.65
Malaysia	4.7545 - 4.7665	2.5000 - 2.5010
Mexico	5712.00 - 5724.55	3109.50 - 3110.50
N.Zealand	3.4670 - 3.4720	1.8215 - 1.8240
Saudi Ar	7.1430 - 7.2200	3.7495 - 3.7505
Singapore	3.0730 - 3.0805	1.6165 - 1.6175
S.Af (Cm)	5.2435 - 5.2560	2.7615 - 2.7630
S.Af (Fn)	7.5390 - 7.5835	3.9608 - 3.9840
Taiwan	47.40 - 47.60	24.90 - 25.00
U.A.E.	6.9940 - 7.0715	3.6715 - 3.6735

*Floating rate. Iran Official rate £120.30 $63.95

CURRENCY MOVEMENTS

Jul 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	−20.0
U.S Dollar	61.0	−18.4
Canadian Dollar	98.9	−2.5
Austrian Schilling	111.1	+12.8
Belgian Franc	112.9	−1.0
Danish Krone	111.3	+5.0
D-Mark	120.7	+26.8
Swiss Franc	110.6	+18.7
Dutch Guilder	115.8	+17.3
French Franc	105.8	−10.7
Lira	99.4	−19.6
Yen	137.7	+74.4
Peseta	108.4	−17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 23

CURRENCY RATES

Jul 24	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.755514	0.717566
U.S Dollar	3.00	1.44152	1.37270
Canadian $	5.50	1.71296	1.63173
Austrian Sch	7.50	15.0956	14.3557
Belgian Franc	8.50	44.2186	42.0219
Danish Krone	9.50	8.26568	7.85667
D-Mark	8.75	2.14513	2.03984
Dutch Guilder	8.50	2.41988	2.30065
French Franc	10¼	7.24436	6.89372
Italian Lira	13.75	1626.90	1547.72
Japanese Yen	3.75	182.280	175.088
Norway Krone	–	8.44298	8.02140
Spanish Peseta	–	137.071	129.942
Swedish Krona	10.00	7.79718	7.40848
Swiss Franc	7.00	1.89992	1.80511
Greek Drach	19	N/A	250.738
Irish Punt	–	N/A	0.764865

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 23

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	103-21	104-02	103-13	103-30
Dec	102-14	102-26	102-07	102-23
Mar	101-09	101-19	101-04	101-18
Jun	100-05	100-06	100-01	100-14

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.7805	0.7891	0.7797	0.7874
Dec	0.7792	0.7822	0.7786	0.7862
Mar	0.7792	0.7810	0.7810	0.7862

POUND SPOT - FORWARD AGAINST THE POUND

Jul 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8970 - 1.9170	1.8995 - 1.9005	1.10-1.08cpm	6.88	3.20-3.17pm	6.71
Canada	2.2615 - 2.2825	2.2635 - 2.2645	0.92-0.85cpm	4.69	2.77-2.65pm	4.79
Netherlands	3.2075 - 3.2180	3.2075 - 3.2175	¼-parcpm	0.47	½-⅜pm	0.54
Belgium	58.55 - 58.80	58.60 - 58.70	5-parcpm	0.51	10-5pm	0.51
Denmark	10.9440 - 10.9835	10.9625 - 10.9725	⅜-1⅝oredis	-1.23	2⅛-3⅝dis	-1.05
Ireland	1.0645 - 1.0690	1.0675 - 1.0685	0.04-parcpm	0.22	0.07-0.01pm	0.15
Germany	2.8435 - 2.8525	2.8475 - 2.8525	⅛-parpfpm	0.26	⅜-¼pm	0.44
Portugal	240.80 - 242.30	241.25 - 242.25	80-158cdis	-5.91	225-340dis	-4.67
Spain	180.95 - 181.80	180.95 - 181.35	44-52cdis	-3.18	138-152dis	-3.20
Italy	2157.35 - 2161.50	2158.00 - 2159.00	11-14liredis	-6.95	28-31dis	-5.47
Norway	11.1700 - 11.2105	11.2000 - 11.2100	⅛-⅝oredis	-0.54	¼-1⅛dis	-0.33
France	9.6065 - 9.6270	9.6150 - 9.6250	par-¼cdis	-0.16	⅛-½dis	-0.13
Sweden	10.3150 - 10.3560	10.3350 - 10.3450	1½-2¼oredis	-2.10	4⅝-5⅝dis	-2.03
Japan	242.00 - 243.75	242.00 - 243.00	1¼-⅛ypm	3.40	3⅝-3½pm	5.88
Austria	19.95 - 20.07	20.03 - 20.07	1-⅛gropm	0.34	3½-1¼pm	0.47
Switzerland	2.5165 - 2.5300	2.5200 - 2.5300	⅜-¼cpm	1.49	1-⅛pm	1.39
Ecu	1.3955 - 1.3985	1.3975 - 1.3985	0.09-0.13cdis	-0.94	0.27-0.32dis	-0.84

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.15-6.10pm 12 Month 11.18-11.08pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8970 - 1.9170	1.8995 - 1.9005	1.10-1.08cpm	6.88	3.20-3.17pm	6.71
Ireland†	1.7765 - 1.7955	1.7795 - 1.7805	1.07-1.04cpm	7.11	3.10-3.04pm	6.90
Canada	1.1880 - 1.1920	1.1910 - 1.1920	0.21-0.23cdis	-2.22	0.56-0.60dis	-1.95
Netherlands	1.6720 - 1.6940	1.6900 - 1.6910	0.87-0.90cdis	-6.28	2.59-2.64dis	-6.19
Belgium	30.55 - 30.95	30.85 - 30.95	16.00-17.00cdis	-6.41	46.00-49.00dis	-6.15
Denmark	5.7100 - 5.7750	5.7700 - 5.7750	3.70-4.00oredis	-8.00	10.95-11.55dis	-7.80
Germany	1.4810 - 1.5020	1.4990 - 1.5000	0.80-0.81pfdis	-6.44	2.37-2.38dis	-6.34
Portugal	126.25 - 127.20	127.10 - 127.20	132-138cdis	-12.74	365-380dis	-11.72
Spain	94.60 - 95.50	95.30 - 95.40	79-82cdis	-10.13	236-241dis	-10.01
Italy	1124.25 - 1137.50	1135.75 - 1136.25	12.70-13.20liredis	-13.68	33.00-36.00dis	-12.15
Norway	5.8305 - 5.9000	5.8950 - 5.9000	3.45-3.75oredis	-7.33	10.35-10.85dis	-7.19
France	5.0100 - 5.0700	5.0600 - 5.0650	2.91-2.96cdis	-6.96	8.66-8.76dis	-6.88
Sweden	5.3825 - 5.4520	5.4400 - 5.4450	3.87-4.12oredis	-8.81	11.60-12.05dis	-8.69
Japan	126.70 - 127.75	127.60 - 127.70	0.11-0.12ydis	-1.08	0.26-0.27dis	-0.83
Austria	10.4340 - 10.5350	10.5300 - 10.5350	5.55-5.90grodis	-6.52	16.10-17.10dis	-6.30
Switzerland	1.3205 - 1.3300	1.3280 - 1.3290	0.60-0.62cdis	-5.51	1.70-1.73dis	-5.16
Ecu	1.3675 - 1.3745	1.3610 - 1.3620	0.90-0.88cpm	7.84	2.60-2.56pm	7.58

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

July 24	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.900	2.850	242.5	9.620	2.525	3.213	2159.	2.264	58.65	181.1	1.398
$	0.526	1	1.500	127.6	5.063	1.329	1.691	1136	1.192	30.87	95.32	0.736
DM	0.351	0.667	1	85.09	3.375	0.886	1.127	757.5	0.794	20.58	63.54	0.491
YEN	4.124	7.835	11.75	1000.	39.67	10.41	13.25	8903	9.336	241.9	746.8	5.765
F Fr.	1.040	1.975	2.963	252.1	10.	2.625	3.340	2244	2.353	60.97	188.3	1.453
S Fr.	0.396	0.752	1.129	96.04	3.810	1	1.272	855.0	0.897	23.23	71.72	0.554
N Fl.	0.311	0.591	0.887	75.47	2.994	0.786	1	672.0	0.705	18.25	56.36	0.435
Lira	0.463	0.880	1.320	112.3	4.456	1.170	1.488	1000.	1.049	27.17	83.88	0.648
C$	0.442	0.839	1.259	107.1	4.249	1.115	1.419	953.6	1	25.91	79.99	0.617
B Fr.	1.705	3.240	4.859	413.5	16.40	4.305	5.478	3681	3.860	100.	308.8	2.384
Pta	0.552	1.049	1.574	133.9	5.312	1.394	1.774	1192	1.250	32.39	100	0.772
Ecu	0.715	1.359	2.039	173.5	6.881	1.806	2.298	1544	1.619	41.95	129.5	1

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

July 24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9 13/16-10 1/16	10¼-10⅛	10 3/16-10 5/16	10¼-10⅛	10¼-10⅛	9.60
Zurich	7⅞-8⅛	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	4 9/16-4 13/16	4 13/16-4 15/16	-	-	-	-
Milan	14⅞-15¼	17 13/16-17¾	-	16 1/16-16 3/16	-	-
Brussels	-	-	-	-	-	-
Dublin	10 1/16-10¼	10.2-10.3	10¼-10⅜	10¼-10⅜	10¼-10⅜	-

LONDON MONEY RATES

Jul 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	10⅛	10 3/16	10 3/16	10 3/16	10 5/16
Interbank Bid	8½	9¾	10 1/16	10 1/16	10 1/16	10 3/16
Sterling CDs	–	–	10⅛	10 1/16	10 1/16	10 1/16
Local Authority Deps.	9½	9¾	10	10 1/16	10 1/16	10⅛
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	10	9 13/16	–	–	–	–
Company Deposits	–	–	–	–	–	–
Finance House Deposits	–	–	10⅛	10¼	10⅜	10 5/16
Treasury Bills (Buy)	–	–	9 13/16	9⅝	9 7/16	–
Bank Bills (Buy)	–	–	9 13/16	9 11/16	9 11/16	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.24	3.25	3.32	3.53
SDR Linked Dep. Offer	–	–	6 5/16	6 5/16	6¼	6 5/16
SDR Linked Dep. Bid	–	–	6 1/16	6 1/16	6⅛	6 3/16
ECU Linked Dep. Offer	–	–	11⅛	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	–	–	10 13/16	10 13/16	10 13/16	10 13/16

Treasury Bills (sell); one-month 9 13/16 per cent; three months 9½ per cent; six months 9⅜ per cent; Bank Bills (sell): one-month 9 11/16 per cent; three months 9⅝ per cent; Treasury Bills; Average tender rate of discount 9.5161 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992, Scheme I: 11.29 p.c., Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992, Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	July 24	July 23	July 22	July 21	July 20	July 17	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.19	89.19	89.21	89.19	88.96	89.33	89.75	85.11	127.4	49.18
Fixed Interest	105.80	105.78	105.74	105.69	105.69	106.14	106.26	97.15	106.26	50.53
Ordinary	1789.1	1808.1	1803.0	1831.0	1824.1	1852.1	2149.7	1789.1	2149.7	49.4
Gold Mines	93.1	93.6	93.3	96.7	95.8	94.0	160.6	89.3	734.7	43.5
FT Act All-Share	1138.01	1148.11	1143.78	1157.21	1152.75	1168.05	1326.36	987.46	1326.36	61.92
FT-SE 100	2377.2	2399.5	2387.9	2415.6	2403.7	2431.9	2737.8	2377.2	2737.8	986.9
FT-SE Eurotrack 100	1052.53	1059.53	1060.97	1075.64	1064.04	1097.57	1199.58	1052.53	1199.58	900.45
FT-SE Eurotrack 200	1088.40	1094.87	1095.41	1109.52	1109.13	1131.06	1248.79	1088.40	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int: Frequency at which interest is credited to the account.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williman Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k's change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15⅞ xd	–4	60c	FeMyAuNv	10.7	1503
Allegheny & W.		281p	4.5	30c	–	–	–
Amdahl		907p	–3.7	10c	NvMrJeAu	31.1	–
Amer Cyanamid		30⅝	2.1	$1.85	MrJeSeDc	4.3	–
Amer Express		12⅞ xd	–1.2	$1.00	FeMyAuNv	29.6	1594
Amer T & T		22⅝ xd	–2.2	$1.32	FeMyAuNv	27.3	1597
Ameritech		35⅝	2.2	$3.52	FeMyAuNv	28.3	–
Bank America		23⅛ xd	10.0	$1.30	FeJeSeDc	19.5	1744
Bankers NY		31⅞ xd	4.5	$2.80	AoJyOcJa	27.12	1745
Bell Atlantic		25⅛	2.6	$2.60	FeMyAuNv	4.7	–
BellSouth		27⅝	2.6	$2.76	FeMyAuNv	6.4	–
Bethlehem Steel		7⅛ xd	–7.4	–	MrJeSeDc	6.2	1851
Bowater		1052p xd	1.3	$1.20	OcJaAoJy	9.3	1884
CPC	h	25⅛ xd	–2.0	$1.20	JaApJyOc	25.6	2263
Cadiz Land Inc		178p	–	–	–	–	–
California Engy		599p	–7.3	–	–	–	–
Campbell Soup		19⅛ xd	–1.0	78c	OcJaApAu	2.7	2050
Chase Manhattan		13⅛ xd	–9	$1.20	FeMyAuNv	24.7	2109
Chrysler		9⅞ xd	–1.9	60c	ApJyOcDe	17.6	2135
Citicorp		10⅛ xd	3.1	–	–	23.10	2141
Colgate-Palm		26⅝ xd	–2.3	$1.24	FeMyAuNv	22.7	2134
Cont'l Bank		933p	2.5	60c	DeMrJeSe	31.5	–
Dana		20⅛ xd	–2.9	$1.60	MrJeSeDe	28.5	2306
Data General		467p	0.4	–	–	–	–
Dccord Inds		104p	–	–	–	–	–
Dun & Brad		38⅝	3.3	$2.28	MrJeSeDe	13.2	–
Eaton		39⅞	4.6	$2.20	FeMyAuNv	2.2	2410
Exxon		91⅝ xd	–6	70c	JaApJyOc	88.6	3046
FPL		19⅝ xd	2.0	$2.44	MrJeSeDe	26.5	–
Fluor		20⅝	2.2	48c	JaApJyOc	18.6	2609
Ford Motor		22⅞	–2.1	$1.60	MrJeSeDe	29.4	2615
Gen Elect		40⅛ xd	0.9	$2.36	JaApJyOc	3.6	2675
General Host		452p	2.3	34c	–	13.12	–
Gillette		26⅛ xd	2.7	72c	MrJeSeDe	29.1	2695
Hasbro		15	2.6	20c	JaApJyOc	1.6	–
Honeywell		33⅞ xd	0.9	$1.85	MrJeSeDa	26.5	2919
Houston Inds		23½	2.2	$3.00	MrJeSeDe	10.11	–
IBM		48½ xd	–8.1	$4.84	MrJeSeDe	8.5	2986
Ingersoll-Rand	h	13⅝	–5.1	68c	MrJeSeDe	14.5	2979
Lockheed		23⅛	2.2	$2.12	MrJeSeDe	15.2	–
Lowe's	h	1045p	6.5	28c	JaApJyOc	11.7	–
Merrill Lynch		28⅛ xd	1.0	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		30⅞	0.4	$2.16	JaApJyOc	17.8	3418
Morris (Philip)		40⅞ xd	0.3	$2.10	JaApJyOc	10.6	5161
NYNEX		42⅝	1.8	$4.64	FeMyAuNv	27.6	4740
For Pacific Agricultural see Cadiz Land Inc							
Pall		14	3.7	36c	FeMyAuNv	24.1	–
Pennzoil		25⅛ xd	2.5	$3.00	MrJeSeDe	26.5	3630
Quaker Oats		30⅛ xd	–2.0	$1.72	JyOcJaAp	23.6	3738
Rockwell		12⅞	3.9	92c	MrJeSeDe	13.5	3847
Rep NY		21⅞ xd	2.3	$1.00	JaApJySe	10.6	3814
Sears, Roebuck		20⅛ xd	–9	$2.00	JaApJyOc	26.5	5191
Sthwestern Bell		34⅝	1.5	$2.92	MyAuNvFe	4.7	–
Sun Co.		13⅛ xd	–5	$1.80	MrJeSeDe	5.5	4135
Tenneco		19⅛ xd	2.5	$1.60	MrJeSeDe	20.5	–
Texaco		33⅛ xd	1.5	$3.20	MrJeSeDe	29.4	4200
Time Warner		55⅞ xd	–6.8	28c	MrJeSeDe	28.5	4234
Unitab		320p	–	–	–	–	–
Utd Tech		28 xd	5.2	$1.80	MrJeSeDe	18.5	4381
URS Intl Tc		0¼p	–	–	–	–	4364
US West		20½	3.8	$2.12	FbMyAuNv	14.4	–
Varity		888p	0.3	–	–	11.77	–
Waste Manage		17⅛ xd	–4	44c	ApJyOcJa	12.8	4409
Whirlpool		1972p xd	0.6	$1.10	MrJeSeDe	4.3	–
Woolworth		13⅞	0.9	$1.12	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	W'k's change	Div gross	Dividends paid	Last xd	City line
Abbot Energy		7¼p	–	–	–	–	–
Amer Barrick		1516p	0.2	8c	Jun Dec	–	–
Bk Montreal		20⅝	0.6	$2.12	FbMyAuNv	2.8	1009
Bk Nova Scot		1014p	1.0	$1.04	JaApJeOc	30.6	1017
BC Gas		744p	5.5	60c	FeMyAuNv	30.12	–
BCE		20⅝	0.6	$2.60	ApJyOcJa	12.6	–
Brascan		722p	0.3	$1.04	JaApJyOc	28.10	–
Breakwater		20p	–	10c	–	–	–
Can Imp Bk		1218p	0.2	$1.32	FeApAuNv	29.6	1037
Can Pacific		782p	1.6	[illegible]			

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

¶Navan Res IE	28½	2.2	–	–	–	–	1185
North West Expl AS	3	—	–	–	–	–	–
Oryx Gold S	56½	–18.1	–		–	–	3686
Plateau	3	–25.0	–	–	–	–	3487
■RTZ	546	0.7	19.5	1.7	Dec Jul	23.3	3880
✣Vizcaya	1¼	...	–	–	–	–	4193
♥Western & Pac CS	9	–14.3	–	–	–	–	–
✣Young Grp	16	–15.8	2.6	2.5	Oct	7.90	5089

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◇ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92.

N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following change has been made to the FT Share Information Service

Addition: Grosvenor Inns (Section: Brewers & Distillers)

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

4:00 pm prices July 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	239	12¾	12½	12¾	+¼
26	18¼	A L Labs A	0.18	1.0	72	285	18¼	d18⅛	18¼	-⅛
68⅞	52⅝	AMP Inc	1.52	2.8	21	1455	53⅞	d52⅝	53⅞	+½
80¼	60⅞	AMR			23	3920	63⅝	62	63⅝	+1
2⅛	1⅛	ARX			2	z100	1⅛	1⅛	1⅛	+⅛
53½	38¼	ASA	2.00	5.0	26	713	40⅞	40⅛	40⅜	-⅞
34¼	26⅛	Abbott Lab	0.60	2.0	21	5075	29¼	29⅛	29⅝	+⅛
13⅞	12	Abitibi Pr	0.50	3.9	9	28	12¾	12¾	12¾	
11⅝	10⅛	ACM Gvt In	0.98	8.6		262	11¼	11⅛	11¼	+⅛
10⅞	9⅛	ACM GvOpp	0.94	9.6		35	9¾	9¾	9¾	+⅛
9½	8½	ACM Gvt Sp	0.92	9.9		120	9¾	9¾	9¾	
11¼	10⅛	ACM Gvt Se	1.13	10.3		574	11	10⅞	11	+⅛
10	8⅝	ACM Man	0.98	10.2		218	9¾	9⅝	9⅝	-⅛
12⅞	10⅝	ACM Managd	1.21	10.9		398	11¼	11⅛	11⅛	
11⅛	4¼	Acme Cleve	0.40	5.9	13	158	6¾	6⅝	6¾	-⅛
6¼	4⅞	Acme Elect			4	z100	4⅞	4⅞	4⅞	
33¼	18⅛	Acuson			11	450	18¾	18½	18⅝	
19½	18⅛	Adams Expr	1.63	8.8	0	41	18⅝	18½	18½	-⅛
49⅛	28½	Ad Micro	3.00	8.8		75	34¼	34	34	-⅛
27½	7½	Ad Micro P	3.00	35.3		33389	8⅝	8½	8½	-⅛
9⅛	5	Advest Grp	0.16	2.8	82	37	5¾	5½	5¾	+⅛
37⅞	33	Aegon ADR	1.68	4.7	6	15	36	36	36	-⅛
47	38⅞	Aetna Lf	2.76	6.4	8	806	43⅝	43⅛	43¼	-¼
12⅛	8⅞	Aflil A	0.24	2.1	13	384	11½	11⅜	11⅜	-¼
33¾	24	Aflac	0.44	1.4	18	808	32½	31⅞	32½	+¼
19⅞	15⅛	Ahmanson	0.88	5.3	71	297	16⅞	16¾	16¾	-¼
22½	5¾	Aileen Inc			6	78	6⅝	6½	6⅝	
49½	36½	Air Pr Chm	0.88	2.1	17	5187	41½	40⅞	40⅞	-⅛
29¾	12½	Airborne Frt	0.30	2.2	11	240	13⅞	13½	13½	-¼
34¼	22⅝	Airgas Inc			28	117	32	31¼	31¼	-⅝
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅞	40¼	Scecorp	2.80	6.1	14	1225	46	45¾	46	+⅛
68	49⅞	ScheringPl	1.56	2.7	18	4632	58	56⅞	58	+1¼
68⅞	52¾	Sch'berger	1.20	1.9	18	5497	64	61¾	63⅞	+1¾
37⅞	20⅞	Schwab(C)	0.24	1.0	14	524	23¼	22⅝	23	+⅛
10⅞	6¾	Schwitzer			36	8	7	6⅞	7	+⅛
25⅞	15¼	ScientAtla	0.15	0.6	184	300	24⅞	24⅜	24⅝	-⅛
10⅝	7⅛	Scotman	0.10	1.2	56	33	8¾	8½	8½	+⅛
46	34½	ScottPaper	0.80	2.1	19	1236	38¾	38½	38½	-⅛
17½	13⅝	ScuddrNAsF	0.22	1.4		74	15½	15⅜	15½	
9½	8⅜	ScuddrNEuF	0.30	3.3		97	9⅛	9	9⅛	
24	18	Sea Cont	0.70	3.3	10	13	21⅝	21⅜	21⅜	-⅛
15¾	14⅞	SeaC1.4625	1.45	9.4		2	15¼	15¼	15½	+¼
31	26⅞	Seagram Co	0.14	0.5	18	670	28¾	28½	28⅝	-⅛
28½	21⅝	Seagull En			88	21073	28¾	28	28⅛	+⅛
58⅞	43¾	Sealed Air			28	33	51	50⅞	51	+⅛
23	12⅛	SPX Corp	0.40	1.9	29	84	21½	21¼	21¼	-⅛
48	37	Sears Roeb	2.00	5.3	10	3477	38⅜	38	38	-½
12⅞	11⅞	Seligm Sel x	0.84	6.7		85	12⅝	12⅝	12⅝	-⅛
31¼	24	Sensormat	0.30	1.2	22	3062	24⅝	24¼	24¼	-⅛
51	36¼	Sequa A	0.60	1.5	46	3	39⅜	39½	39⅜	
58	45½	Sequa B	0.50	1.0	28	31	50	49½	49⅞	
18¾	15¾	ServiceCpl	0.40	2.4	15	619	17⅛	16⅞	16⅞	
28⅛	22	Servicemtr	1.18	4.2	15	325	u28⅜	27⅞	27⅞	
29⅞	17	Shaw Ind	0.30	1.2	28	1259	24½	24	24½	+⅛
19¼	8⅞	Shawmut Nt	1.00	6.7	28	6232	15⅛	13¾	14⅞	-⅛
10⅛	6⅛	Shelby Wil	0.24	2.9	35	65	8⅛	8⅛	8⅛	
57⅞	45⅜	Shell Tr&T	2.57	4.9	12	1489	53⅛	52⅝	52⅞	-1⅛

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31⅞	26⅛	WiscPubSv	1.74	5.6	13	110	u31⅞	31	31¼	+⅛
49⅛	40	Witco Corp	1.84	4.4	12	788	41⅝	41⅛	41⅛	-⅛
14	8¾	Wolverine	0.16	1.6	26	24	9⅞	9⅛	9⅛	-⅛
32¾	28	Woolworth	1.12	4.2	69	659	26⅞	26⅜	26½	-⅛
14⅞	12½	World Wide	0.84	6.2		38	13⅞	13⅝	13⅝	-⅛
12⅝	6¼	Worldcorp			43	541	7	6⅞	7	+⅛
86⅛	68⅜	Wrigley	1.00	1.2	23	231	80⅛	79⅝	80	+⅛
18½	12⅜	Wyle Labor	0.28	1.9	16	150	16¼	16	15	-⅛
23⅜	18⅛	Wynns Int	0.60	2.7	8	3	22¼	22½	22½	-⅛

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	4.1	18	941	73	71⅞	72½	+⅝
53½	50½	Xerox4.125				3	u53½	53	53	
28½	24⅞	Xtra 1.94	1.94	6.8		15	u28½	28	28½	+⅛
37	28½	Xtra Corp	0.80	2.2	13	22	36⅞	36⅜	35¾	-⅛
28⅛	25¼	Yankee Egy	1.66	6.0	12	21	u28⅛	27½	27¾	-⅛
1½	½	Zapata			50	185	1	15/16	1	
11⅛	6¾	ZenithElec			5	272	7⅞	7¾	7⅞	
19½	14⅛	Zenith Nat	1.00	5.7	8	27	17⅝	17¼	17½	
7⅛	6	Zenix Inc x	0.84	11.8		134	u7⅛	6⅞	7⅛	
13¾	10	Zero Corp	0.40	3.4	18	325	11¾	11⅝	11⅝	
38	27¾	Zurn Ind	0.88	3.0	31	209	28⅞	28½	28⅞	+⅛
14⅛	12	Zweig Fund	1.15	9.0		240	12⅞	12¾	12¾	+⅛
11	9½	Zweig Totl	0.96	9.3		436	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	26	25	12¼	12	12¼	
Pet Ht&P	1.14	17	23	15½	15	15½	+½
Phil LD	0.21	16	126	40⅛	39½	39⅝	-⅛
Pitway A	1.10	15	18	28⅝	28⅛	28⅛	-⅛
Ply Gem	0.12	21	43	10¾	10⅝	10¾	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.65	15	213	20¼	20	20⅛	-⅛
Glatfltr	1.40	15	71	23¾	23⅜	23⅝	-⅛
Goldfield		2	77	⅜	5/16	5/16	
Greenman		6	75	5⅜	5¼	5⅜	+⅛
Gulf Cda	0.34	8	21	4 7/16	4 7/16	4 7/16	
Hasbro	0.20	18	2514	u30	28⅝	29⅞	+1
Health Ch		8	10	1⅝	1⅝	1⅝	
HealthRvst		212	183	2⅛	2	2⅛	+⅛
Heico Cp	0.15	18	12	12⅝	12⅝	12⅝	-⅛
Hillhaven		2	127	2¼	d2⅛	2¼	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
MSR Expl		1	75	⅝	⅝	½	
Nat Pnnt		2	398	3	d2⅞	3	
New Line		15	18	11	10⅞	10⅞	-⅛
NY TimesA	0.56	32	281	28	27½	27¾	-⅛
NthCanOil	0.18	98	5	u12⅛	12⅛	11⅞	
Numac O&G		2	32	4½	4⅛	4⅞	+⅛
NV Ryan		0	15	⅜	⅜	⅜	
Odetics A		276	10	5½	5½	5½	
Oiaten	0.24	27	31	27⅞	27¾	27⅞	+⅛
OMI Corp	0.14	7	z0	0	d0	6⅜	
Pal Corp x	0.36	27	1433	26⅜	25¾	26⅜	+⅛
Pegasus G	0.10	42	814	16⅛	15¾	16	-⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
UtdFoodsB		5	21	1¾	1⅝	1⅝	
UnivPtntr		36	17	11	10¾	11	
US Cellul		83	2	19⅜	19⅜	19⅝	
Vivigen		35	226	15¼	14⅞	15⅛	-⅛
WangLab C		1	27	4⅝	d4⅜	4⅜	-½
WangLab B		1	2889	3	2¾	2¾	-⅛
Weatherfd		15	690	5¼	4⅞	5¼	+⅛
Wesfamer x	0.52	10	18	21¾	21¾	21¾	
WIRET	1.12	15	49	12¾	12½	12⅝	
Worthen	0.05	9	125	21⅜	20⅞	21	+⅛
Xytronix		8	268	7⅞	d7⅛	7⅝	-½

NASDAQ NATIONAL MARKET

4:00 pm prices July 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wicat Sys		64	453	4⅝	4½	4½	-1/16
Willmette	1.68	24	961	37	34½	36¾	+1½
WmsSonoma		195	426	10¼	9¾	9¾	-¼
Wiser Oil	0.40	94	817	16	15⅞	16	+⅛
Wolohan L	0.28	14	22	20½	19¾	19¾	
Wolv Expl		0	z100	1/16	1/32	1/32	
WlvExW93A			66	1/16	d1/32	1/32	
Wthngton	0.48	25	329	23⅜	23⅛	23½	
WPP Group	1.11	1	774	1 3/16	1⅛	1½	-1/16
Wyman-Gdn	0.40	0	1280	4⅜	4	4⅜	+3/16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	773	21	20¼	20¾	
Xoma Corp		7	639	13½	13	13	-½
Yellow Fr	0.94	20	313	26½	24⅝	25⅜	+⅛
York Rsch		4	857	4½	4¼	4¼	-⅛
ZionsUtah	1.44	10	135	56¼	55	55½	+½

MONDAY INTERVIEW

Love in the laboratory

Professor William Stewart, chief scientific adviser to the Cabinet Office, talks to **Clive Cookson**

'The slip in R&D spending causes concern'

Tony Andrews

Scientists have changed their minds about the UK government more comprehensively than has any other group in British society since the general election. During the election campaign many senior scientists called for a new government that would end years of neglect and underfunding of research; not one spoke up for the Conservatives.

Three months later, the loathing in the laboratories is turning into something approaching love. Pressure groups such as Save British Science have stopped moaning and are now singing a chorus of praise for the government.

The man they credit with responsibility for this revival of scientific morale is Professor William Stewart, a 57-year-old Scottish botanist, whose official job title is chief scientific adviser, Cabinet Office.

Prof Stewart came to London in 1988 to run the Agricultural and Food Research Council. Lady Thatcher (then Mrs Thatcher) appointed him to succeed Sir John Fairclough as the government's chief scientist shortly before she resigned as prime minister in 1990. But he made little impact until last April.

Then, in the reshuffle after the election, Mr Major unexpectedly gave the laboratory lobbyists what they had been clamouring for, and Labour had promised: cabinet status for science for the first time since 1964.

The £1.1bn-a-year budget for basic research was detached from the Department of Education and Science, and transferred to a new Office of Science and Technology (OST) under a senior cabinet minister, Mr William Waldegrave. He is also responsible for co-ordinating science and technology policy across other government departments, including defence and industry. Although Mr Waldegrave's remit as chancellor of the Duchy of Lancaster also includes the Citizen's Charter initiative for improving public services, he has made it clear that science will be a priority.

Prof Stewart drew up the OST blueprint before the election, as an option for the incoming government whatever its political complexion. As a loyal civil servant, he declines to take the credit. But its creation leaves him, as head of OST, much better placed to fight for science and technology in government. He is potentially the most powerful chief scientist since Sir Solly Zuckerman (another biologist) teamed up with Mr Harold Wilson in 1964.

The fundamental reason for the reorganisation, Prof Stewart says, "is that the prime minister had a conviction that science and technology would be important to us if we were going to continue as a strong Group of Seven nation. Japan sees science and technology as the dynamo of the economy; the US sees a world economy transformed by developments in science and technology."

A subsidiary reason was to give the UK government someone with enough international status to negotiate effectively with such powerful research ministers as Germany's Mr Heinz Riesenhuber and France's Mr Hubert Curien. Junior ministers in the DES were no match for them, but Mr Waldegrave is – both through his close relations with Mr Major and through his formidable intellect.

Mr Waldegrave may be a classicist by academic background, but Prof Stewart says he is already making his mark as chairman of the EC research council. On the chief scientist's advice, Mr Waldegrave is pushing the EC to devote more resources to "generic technologies which have a broad range of applications across many industrial sectors" and less to "the old policy of industrial R&D subsidy". In practice this might mean, for example, supporting the development of a "clean engine", which would have application in an aircraft, a car or a lawnmower, rather than a "clean car", which would amount to a disguised subsidy to European motor manufacturers.

The creation of the OST instantly raised the profile of science in Parliament. The Commons set up a Science and Technology Committee for the first time, chaired by Sir Giles Shaw. And from next year the two houses will jointly fund a Parliamentary Office of Science and Technology, to provide technical assessments for MPs and peers on issues ranging from global warming to disposing of nuclear weapons and patenting new forms of life.

But the OST could be the first step in a more radical reorganisation of research in the UK. Prof Stewart is inviting scientists to put forward suggestions for a white paper on science and technology, which the government will issue early next year. It will cover every aspect of the way the UK organises, funds and exploits its science.

Mr Waldegrave and Prof Stewart say they have open minds about what direction to take; they are willing to consider changes that would be – at least in UK terms – quite revolutionary. One possibility is to draw up for the first time a national plan for science, setting priorities and targets for funding in different areas. "Do we need some broad objective-setting as the Japanese, US, Germans, French and others are doing, or do we leave it all to a bottom-up approach?" Prof Stewart asks.

For most laboratory scientists, however, the biggest issue is not how research is organised but how much money is available for it. "In general our funding levels compare reasonably well with our G7 competitors," Prof Stewart claims. "But before we get complacent, it is important to note that UK expenditure on R&D as a percentage of GDP has been slipping significantly over the last decade in both civil and defence areas. Because the international trend on R&D expenditure as a percentage of GDP has been generally upwards, the downward trend in the UK causes concern."

Last year Prof Stewart worked with the Treasury during the annual public expenditure survey to make sure science and technology spending in all departments was assessed as a whole – the first time the government's chief scientist had been involved in the process. The exercise produced real growth in civil R&D this year and plans for further modest growth up to 1994-95.

But that was in the run-up to an election. The real test of Prof Stewart's new clout in the Treasury will come during this year's public expenditure negotiations. "The OST could not have been set up at a worse time as far as public expenditure is concerned," he says. He will fight to protect the planned growth, both because research needs more money and because "the system needs stability so that the science and technology community can look ahead without the episodic changes in funding which caused problems in bygone years".

Ironically, the non-graduate Mr Major is turning out to be far more sympathetic to science than Mrs Thatcher, who started began her career in chemistry research. Because he believes science is important – socially, culturally, economically and environmentally – but has no scientific background, he is in some ways an ideal prime minister from the point of view of an adviser.

Prof Stewart keeps in touch with feelings at the laboratory bench by inviting a group of half a dozen researchers, including young scientists, to his room in the ancient Palace of Whitehall every fortnight or so. Sitting in the deep, red-leather armchairs, they talk "really frankly" about the issues in their field.

The office looks typical of a senior civil servant of the old school, apart from a computer beside the desk, but its occupant sounds quite different. Prof Stewart retains his childhood accent from the whisky isle of Islay, off the west coast of Scotland, where he grew up – pepped up with a dash of Glasgow (where he did both undergraduate and postgraduate studies) and Dundee (where he built up the biology department over a period of 20 years from virtually nothing into one of the strongest in the UK). Now he retreats when he can to somewhere even more remote from London: a croft inherited from his wife's family on the island of Barra in the Outer Hebrides.

The last prominent person in government who portrayed himself as a Scottish crofter was Mr Harold Macmillan. The difference is that in Prof Stewart's case the claim is genuine. And whereas the Macmillan era 30 years ago can be seen in retrospect as the start of a decline in the international position of British science and technology, the Stewart years just might herald a revival.

PERSONAL FILE

- 1935 Born in Glasgow. Educated at Dunoon Grammar School and Glasgow University.
- 1963 Lecturer at Westfield College, London.
- 1968 Professor and head of biology department, Dundee University.
- 1977 Fellow of Royal Society.
- 1988 Chief executive of Agricultural and Food Research Council.
- 1990 Chief Scientific Adviser, Cabinet Office.

Peace, prosperity and corruption

Letter from TOKYO

Any government embroiled in two political scandals, a constitutional row and a severe economic slowdown might expect a drubbing at the polls. But Japan's ruling Liberal Democratic Party got off lightly in yesterday's national elections to the Diet's (parliament's) upper house.

The party lost far fewer seats than it had expected. It will now be well-placed in the next election in 1995 to win back control of the upper house, which it lost during the 1989 Recruit scandal, and re-establish its longstanding monopoly of legislative power.

The Recruit stocks-for-favours affair now seems nothing more than a painful memory for the LDP. This year's two financial scandals, involving Kyowa, a building materials group, and Sagawa Kyubin, a truck delivery company, hardly surfaced in the election.

Nor did the voters pay much attention to the controversy over the recent bill to permit the despatch of Japanese troops overseas to serve in UN peace-keeping forces. The LDP and rival parties were prepared for a tough fight over whether the bill infringes Japan's pacifist constitution. The ruling party published posters showing a Japanese as a member of an international baseball team. Mr Kiichi Miyazawa, the prime minister, waxed eloquent about international contributions. But in the event the voters were not interested.

As for the economy, the global slowdown may be bad news for US President George Bush, but it has done no harm to Mr Miyazawa. In the boom of the 1980s, the Japanese flirted with opposition parties. But the collapse of the financial bubble has sent voters scurrying back to the well-tried haven of the LDP.

This is gratifying for Mr Miyazawa, whose chances of a second year in office when his term expires in the autumn grow better by the day. However, the surge in popular support could dissuade the LDP from tackling underlying political and economic problems, including electoral corruption.

In many constituencies money still dominates election campaigns. Particularly in the countryside, the heartland of LPD support, the voters want to know which candidate will bring their district the biggest share of government spending.

There is nothing uniquely Japanese about this. Politicians everywhere are familiar with electoral bribery. But what is worrying about Japan is the extent to which the pork-barrel dominates politics. This did not matter to the outside world when Japan was preoccupied with rebuilding its economy after the second world war, but now that it is an economic superpower it is of international concern.

Not for nothing do some consider the construction minister more important than the prime minister

Japan's electoral system forces politicians into a debilitating dependence on money. Multi-member constituencies account for most seats in the Diet's lower house and for many in the upper house. Because politicians from the same party have to compete against each other, party discipline and ideology are weak. Electoral success is built largely on personal appeals to voters – appeals which are greatly enhanced by pledges of money. The biggest amount of cash circulates around elections to the Diet's lower house, the centre of legislative power. But even an upper house poll, like yesterday's, costs money.

Funds circulate from companies to politicians to constituents. In return the companies are rewarded with public orders, especially building contracts. Not for nothing is the job of minister of construction regarded in some LDP circles as more important than the prime minister's. And not for nothing is the construction market particularly difficult for foreign companies to enter.

As the party which has held power since the 1950s, the LDP has little incentive to change this system. However, it has acknowledged in voluminous reports what is needed, including controls on fund-raising, single-member constituencies and a redistribution of seats from the countryside to the cities. The last is most important: in the Diet's lower house, it takes more than three times as many votes to elect a member in the most populous districts as in the least populous.

The implications run far beyond Nagatacho, Tokyo's political district. The current political system was forged at a time when the nation was largely united in its aims: governments put the priority on economic growth and smoothing the frictions this generated at home and abroad without veering from their course. Bureaucrats, not politicians, took the important decisions.

Having risen to economic pre-eminence, Japan must now define an appropriate role for itself in international affairs. It must tackle sensitive issues such as reform of an archaic tax system, the overhaul of land regulations, restrictions on foreign workers, and the ban on rice imports.

The Japanese acknowledge the urgency of these arguments. But, until now, they have tolerated some political corruption because the LDP has ruled over unprecedented peace and prosperity. As long as the perpetrators of the most flagrant breaches of anti-corruption laws are punished, the Japanese have accepted that politicians will bend the rules.

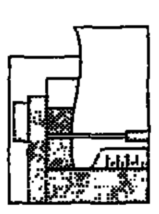
If the past is any guide, the Japanese will resist fundamental change until they are hit by a shock. Then change will come quickly. The hope is that this time such a shock will be unnecessary. But it would be unwise to rely on it.

Stefan Wagstyl

PERSONAL VIEW

Collusion for confrontation

By Graham Allison



On the global canvas of international politics today, what is the most striking anomaly? Of all the leading powers, two alone remain mired in a cold-war confrontation, without a peace treaty to conclude the second world war that ended 47 years ago, without normal relations.

The contrast between Russia's new relationship with its main European adversary in the second world war, and its relationship with Japan, is instructive. Only on the Asian front, and most singularly in Russian-Japanese relations, is the cold war essentially frozen in time. Oddest of all is the obstacle to full normalisation of Russia-Japan relations: the issue is one of four, small, disputed islands which remain as second world war relics and cold war symbols.

In the past year, a group of independent scholars from the US, Russia and Japan have collaborated in an effort to view this old dispute impartially and with fresh eyes. In reviewing the entire record of the dispute in all three languages, we have juxtaposed official documents from the three governments and unearthed new materials. What we discovered is a "collaboration for confrontation". The evidence reveals a pattern by all three governments that set Russia and Japan in fierce enmity.

The culprit in this drama was Stalin. By seizing and holding four small islands of no military or economic significance, he provided powerful incentives for Japan to become the closest ally of the US in confronting the Soviet Union in Asia. In 1951, Stalin compounded his error by refusing to sign the San Francisco Peace Treaty concluding the second world war. By not signing, Stalin not only missed an opportunity to stake claim to the disputed four islands. He also left clouded in international law the Soviet Union's claim to 18 undisputed Kuril Islands and southern Sakhalin. Today, Russia occupies them, but without established sovereignty in international law.

Stalin's mistakes were aided and abetted by US President Franklin Roosevelt. But conspiracy theorists who seek to give Roosevelt credit, or blame, for tricking Stalin into these moves exaggerate. Stalin sought territorial concessions. As the price for enlisting Russia in the Asian war against Japan, Roosevelt was prepared to concede.

John Foster Dulles, secretary of state, was more deliberate. In the period leading to the 1956 Joint Declaration between Japan and Russia, the Japanese contemplated sacrificing two larger disputed islands to secure control of the two smaller islands and sign a peace treaty. At several crucial junctures, Dulles frustrated such a resolution. As the state department's memorandum of the conversation between Dulles and Japanese foreign minister Shigemitsu in August 1956 shows clearly: Dulles warned the Japanese government that, if it relinquished its claim to the larger islands to normalise relations with Russia, it would jeopardise its claim to Okinawa, occupied by US troops. As the state department cable records, Dulles's warning stated: "No Japanese government could survive."

In preparation of the 1960 Mutual Security Treaty between the US and Japan, US diplomacy solidified Japan's position as the pillar of Asian confrontation with the Soviet Union. In recognising Japan's "residual sovereignty" over Okinawa in 1961, and returning Okinawa to Japan in 1971, the US bolstered Japan's position as a partner by accenting the contrast with the Soviet Union's recalcitrance.

The conclusion of the cold war now presents the challenge: can the western allies, in partnership with a new Russia, win the peace?

Our American-Russian-Japanese trilateral report sketches 66 scenarios for resolution. Our preferred resolution calls for the US to become active as catalyst, honest broker and guarantor. A comprehensive agreement defining new trilateral relations in security, economic and political dimensions could provide important net advantages for both Russia and Japan. The essential terms in this multi-dimensional compromise are these. Russia would reaffirm the 1956 Joint Declaration agreeing to return to Japan the two smaller islands at the signing of a peace treaty; recognise Japan's "residual sovereignty" over the two larger islands; and begin negotiations, terms and timing of their phased return. Japan would agree to demilitarise the islands permanently; guarantee that Russia suffers no material loss in rights to fish or export other resources and accept the role of lead donor and the substantially enlarged, decade-long G7 programme of economic assistance for Russia's economic reform.

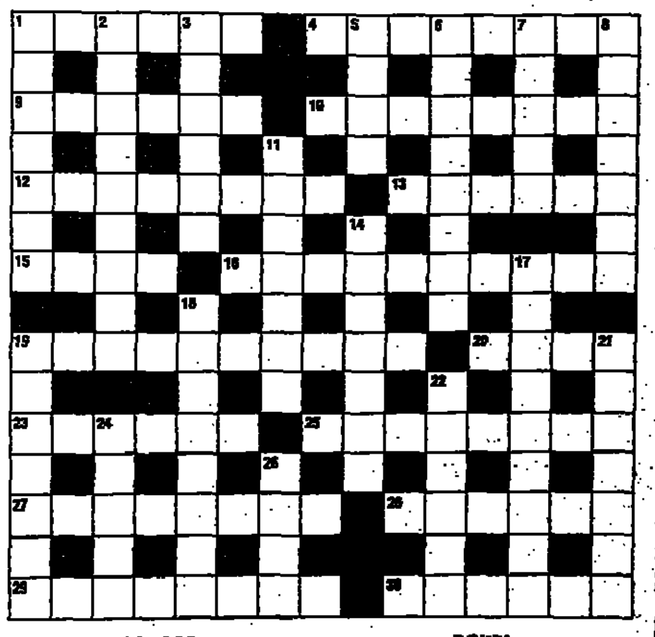
The question today is whether Messrs Yeltsin, Miyazawa and Bush can overcome the legacy of Stalin, Roosevelt, Dulles and Shigemitsu.

The author directs Harvard's Strengthening Democratic Institutions project and chairs the US/Russian/Japanese group.

JOTTER PAD

CROSSWORD

No.7,909 Set by DANTE



ACROSS

1 Straighten things out and become more friendly (6)
4 Key leather treatment is delicate (8)
9 Strike out (6)
10 Holding an avaricious attitude (8)
12 The point in folly that becomes madness (8)
13 Sort of hats we put bands round (6)
15 Ridicules supporters (4)
16 Flirts and is captivated by her lips perhaps (10)
19 Iago cursed in dismay (10)
20 Plant where workers strike for more money (4)
23 Watched United compete for leadership (6)
25 Abandoned ship (8)
27 Dependant paid for help when needed (8)
28 An extra modest sort of dance? (2,4)
29 Big end about to be made bigger (8)
30 Not quite in the altogether (6)

DOWN

1 Ruin the opening? (7)
2 Sweets that score highly? (5-4)
3 Observing it's a dumb-bell? (6)
5 Yet it may be sweet (4)
6 A bitter blow? (4,4)
7 Be quick! (5)
8 Drunk as a snake? (7)
11 They make engravings of the ruins of Chester (7)
14 Leading off in file (7)
17 How the heat can knock one out (9)
18 He expects people to put up with him (8)
19 Separate partnership? (7)
21 To agree completely (7)
22 Read of new capital investment (6)
24 Speak well of former lover to first lover (5)
26 Yield what is sown, we hear (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 8.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.07.92 Pool purchase price £/MWh	Final Prices for Trading on 28.06.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.23	20.19	22.43
0100	19.11	19.74	21.96
0130	19.11	19.74	21.97
0200	19.11	19.74	21.97
0230	19.11	19.74	21.97
0300	28.05	19.74	21.97
0330	28.05	19.74	21.98
0400	28.05	19.74	21.99
0430	28.05	19.74	21.99
0500	28.05	17.47	17.47
0530	19.38	20.07	22.38
0600	19.38	20.07	22.38
0630	19.38	20.07	22.37
0700	19.38	20.07	22.38
0730	19.38	20.07	22.37
0800	21.73	20.40	22.66
0830	21.73	20.07	22.31
0900	21.73	20.58	22.84
0930	21.73	20.58	22.83
1000	21.73	24.28	26.66
1030	22.11	25.63	28.04
1100	24.32	26.50	28.94
1130	23.33	26.50	28.94
1200	26.19	26.50	28.93
1230	26.37	26.50	28.92
1300	26.37	26.50	28.93
1330	24.96	25.63	28.05
1400	22.11	22.64	24.87
1430	20.27	20.48	22.73
1500	20.27	20.40	22.64
1530	20.27	20.48	22.73
1600	20.08	20.48	22.73
1630	20.08	20.48	22.74
1700	20.08	20.48	22.73
1730	20.08	20.48	22.73
1800	20.08	20.69	22.94
1830	20.27	20.69	22.94
1900	20.27	20.69	22.94
1930	20.27	20.69	22.94
2000	23.45	20.69	22.94
2030	17.70	20.69	22.94
2100	23.45	20.69	22.94
2130	27.79	24.70	27.11
2200	31.06	33.00	35.66
2230	31.06	33.00	35.66
2300	22.00	26.51	26.51
2330	17.76	26.50	26.50
2400	17.76	17.70	17.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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0230	17.76	17.58	17.58
0300	17.76	17.58	17.58
0330	17.76	17.58	17.58
0400	17.76	17.58	17.58
0430	17.76	17.58	17.58
0500	17.76	17.55	17.55
0530	17.43	17.55	17.55
0600	17.43	17.50	17.50
0630	17.76	17.62	17.62
0700	18.75	20.13	22.16
0730	24.31	22.38	24.47
0800	24.65	25.69	27.88
0830	24.26	28.01	30.18
0900	25.55	28.02	30.15
0930	27.99	28.03	30.15
1000	27.99	28.03	30.09
1030	27.99	28.04	30.09
1100	25.55	28.03	30.10
1130	27.99	28.05	30.11
1200	27.99	28.06	30.11
1230	27.99	28.05	30.11
1300	27.99	28.03	30.11
1330	25.55	27.37	29.46
1400	25.55	26.49	28.56
1430	25.48	26.49	28.56
1500	25.55	26.49	28.57
1530	24.84	26.49	28.57
1600	25.56	26.21	28.28
1630	25.56	28.00	30.10
1700	27.99	28.01	30.09
1730	27.99	28.00	30.09
1800	27.99	26.21	28.28
1830	25.12	25.36	27.44
1900	24.65	24.63	26.72
1930	23.45	23.96	26.04
2000	22.02	23.48	25.58
2030	22.03	23.48	25.57
2100	17.77	22.38	24.44
2130	25.12	23.48	25.57
2200	25.12	28.00	30.22
2230	25.12	28.01	30.22
2300	21.24	28.01	28.01
2330	17.76	28.01	28.01
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NEW ZEALAND

After years of stagnation, New Zealand appears to be in the early stages of an economic upturn. However, in spite of the new mood of optimism, the country is convalescing, rather than fully recovered, writes Andrew Adonis

Strength of the Kiwi spirit

SHROUDED IN an eerie darkness broken only by the occasional street lamp and headlight, Wellington at night is reminiscent of East European cities before the collapse of the Berlin wall. The lights are off this winter because of an acute hydro-power shortage brought on by drought, and New Zealanders are reacting with remarkable feats of conservation to avoid black-outs and short-time working.

The energy crisis may strengthen the Kiwi spirit. But it could hardly be worse timed, just as a decade of economic gloom appears to be lifting.

Optimism positively gushes from most of New Zealand's politicians and economic forecasters. It is of recent origin. Barely six months ago despair was ubiquitous, the country weighed down by a sense of embattled isolation given added emotional intensity – to an extent unappreciated abroad – by controversy with the US over nuclear warships visiting the country's ports.

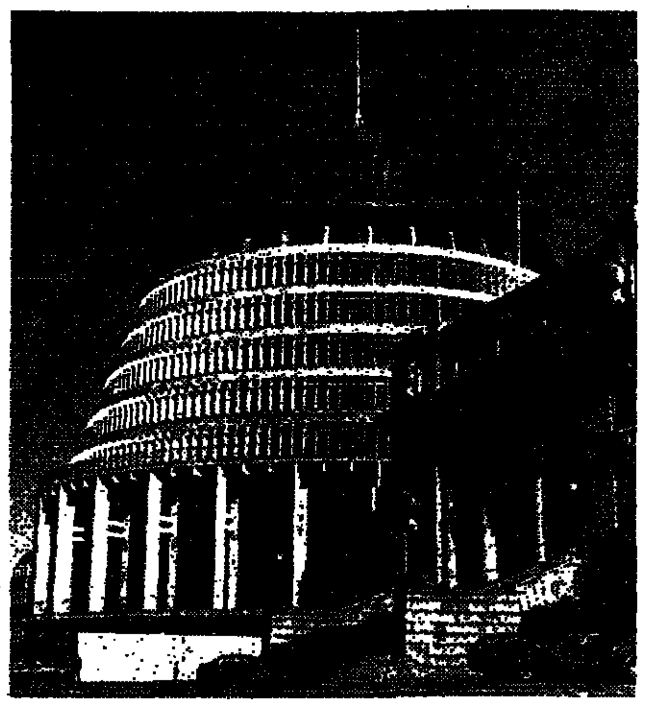
"New Zealanders have been going through the hardest times most of them can remember," writes Mr Bryce Harland, until recently high commissioner in London, in a trenchant study published this month*. He considers the price of independence as "continuing deprivation, at least disappointment", with New Zealand "more on its own than it has ever been before".

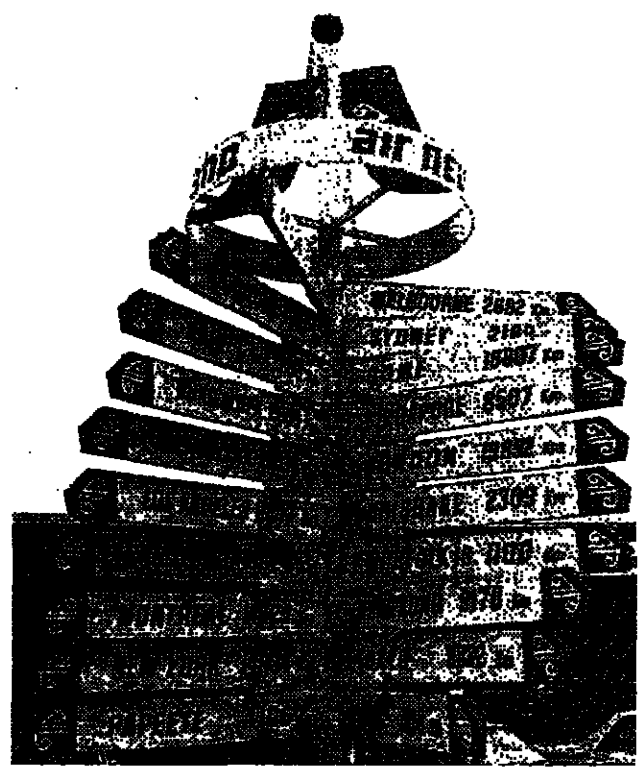
The country, he concludes, "has become what the poet R.A.K. Mason described 70 years ago as a 'solitary hard-assaulted spot/Fixed at the friendless outer edge of space'."

In Wellington, at any rate, such pessimism is already old hat. Last year New Zealand recorded its first current account surplus in two decades, with a strong export performance not just in primary agricultural products but also in manufactured goods. East Asian markets are growing rapidly (25 years ago the South Pacific and East Asia took a fifth of New Zealand's exports; soon it will be two-thirds). Tourism, now the country's biggest business, is booming. The three months to March saw GDP growth of 1.1 per cent, the third successive quarterly rise. This followed news that inflation rose by only 1 per cent in the year to June, the lowest rate of all 24 countries in the OECD.

Ms Ruth Richardson, finance minister in Mr Jim Bolger's National (right-of-centre) government, is jubilant. "We now know we can succeed. The positive signs are here; they are unmistakable; and they are all around us."

Even old friends are coming back. President Bush's decision to remove tactical nuclear weapons from US warships may open the way to a resumption of security ties. Mr Bolger, whose party was compelled by public opinion to accept its Labour predecessor's anti-nuclear policy before the last election, is trying to bury the hatchet as quickly as possible.





The Beehive, home to the cabinet in Wellington and (right) the outer edge of space, a signpost near Auckland airport

All that said, New Zealand is convalescing, not recovered. Its growth projections are impressive only compared to its recent past. Investment is weak. The country's export base remains comparatively narrow; and prospects for sustained improvement in its agricultural exports depend largely on a successful outcome to the Uruguay Round. Not that Wellington is beyond reproach when it comes to tariffs: last month Mr Philip Burdon, the trade and industry minister, handed down a raft of "anti-dumping" levies on imported footwear, clothing and cars.

New Zealand has played an effective part in the Cairns Group, and Mr Tim Groser, its chief Gatt negotiator, is in constant orbit. But as one trade official puts it: "There's still a lot of goodwill from Britain, but who thinks Bush and Mitterrand give a damn about us?"

Above all, it will take more than a year or two of growth to overcome the legacy of the 1980s, New Zealand's most traumatic decade this century. Economic stagnation scarred a people who only 20 years before had enjoyed one of the highest standards of living in the world. The causes were simple enough: a collapse in prices and markets for New Zealand's narrow range of agricultural exports and a rapid deterioration in the debt and fiscal situations with dire implications for the majority of the workforce – in manufacturing and the public sector – dependent on government largesse, variously provided through subsidies, salaries, export incentives and state investment.

Sir Robert Muldoon's National government vainly pretended that nothing had happened in the late 1970s and early 1980s. It has one great achievement to its name: the 1982 Closer Economic Relations agreement with Australia, which began a rapid progress towards free trade between the two countries, from which New Zealand has been the principal gainer. The present government sees it as a model for agreements with other Asian countries.

For the rest, Sir Robert paid dearly to stave off the inevitable. It was his defeat by Labour in 1984 which heralded the New Age, as most New Zealanders see it. Dubbed "Rogernomics" after Sir Roger Douglas, the Labour finance minister who masterminded the first bout of reform, it saw market regulation swept aside, the subsidy regime axed, the public sector rationalised and its organisation turned upside down, the tax system overhauled (with a sales tax introduced and the top rate of income tax halved to 33 per cent), and a melt-down of the entire structure of import licensing and export incentives.

It was little short of a revolution, justified to a sceptical Labour party and electorate as the price of recovery. When recovery failed to materialise, bitter recrimination started. Civil war erupted in the Labour party with first Sir Roger, then Mr David Lange, the prime minister, forced to quit. And in 1990 the voters took their revenge, returning National under Mr Bolger with a landslide majority.

Mr Bolger, a relaxed and reassuring North Island farmer, appeared to offer an end to upheaval. But once in office, his government only intensified it. Within months Ms Richardson, an avowed admirer of Sir Roger, had taken Rogernomics into health and welfare in a self-styled "mother of all budgets", and the Employment Contracts Act, enacted at the same time, extended it to industrial relations.

A year on, the storm which greeted those two measures has largely abated, calmed by a succession of strategic retreats. But the experience has only deepened popular disillusion with the politicians. It is not just resentment about promises flagrantly broken: it is one manifestation of the acute anxiety felt by most New Zealanders about their personal prospects after a decade of stagnation and restructuring. Says Mr Lange, now a columnist: "The fact of it is divisions in society were papered over with money from guaranteed export sales, then with borrowed money. Now these divisions are raw and sore to the point where increasing numbers of people are impatient with an existing order they see as unfair."

It is not helped by the fact that New Zealand's politicians seem to be forever campaigning. With only a three-year parliamentary term, governments are barely installed before they are fighting for their lives. The knuckles are already bare for the autumn 1993 contest. Labour – led by Mr Michael Moore, briefly prime minister at the tail-end of the last Labour government (1984-90) – is ahead in the polls. But National is narrowing the gap, buoyed by a by-election victory earlier this year in a seat widely expected to fall to the newly-formed Alliance, an electoral coalition of minor parties (Labour came a poor third).

The hot money is backing Mr Bolger to renew his lease on the top-floor suite of the Beehive, the tower housing Wellington's entire cabinet. Not that much would change were he to lose. Ms Richardson's reforms have been hotly contested by Labour, but it accepts virtually all the constraints driving current policy.

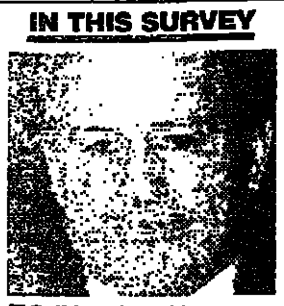
"Raising the tax burden simply isn't an option", says Dr Michael Cullen, Labour's finance spokesman, mindful of the conventional wisdom that Labour's 2.5 percentage point increase in general sales tax in its last budget before the 1990 election killed the nascent recovery stone dead.

However, whatever its outcome, next autumn's election is arguably of less importance to the future of New Zealand politics than the possible fall-out from a more immediate test: a national referendum on proportional representation to be held on September 19. A decision by the electorate to shift from the current first-past-the-post system to a form of PR could destroy the existing two-party system and lead to unstable, shifting coalitions. PR is expected to win in September, but it will take another referendum next year before it is introduced; and even then it will not take effect until the election after next (due in 1996).

"PR in New Zealand is Public Revulsion," says Labour's Mr Moore. Maybe prosperity will come soon enough to reconcile Kiwis to their politicians. If it doesn't, New Zealand is in for social unrest and a period of acute constitutional turbulence.

*On Our Own: New Zealand in the Emerging Tripolar World. Institute of Policy Studies, Victoria University of Wellington

IN THIS SURVEY



Editorial production
Gabriel Bowman

ᴗNOMIC GROWTH: though things are beginning to look up, there are...

A few thorns among the roses

"THERE is no denying the new mood of confidence," says Ms Ruth Richardson, New Zealand's hard-edged minister of finance.

Indeed not. After a decade when the country's only appreciable economic growth was in business despondency, things are beginning to look up. Take official figures, plus a small dose of optimism, and here is the good news:

● Real and sustained growth is under way. It is not just a boom in traditional exports riding on the back of improved prices for New Zealand's agricultural commodities and a Kiwi dollar depreciated by a fifth in two years (a further 10 per cent devaluation is widely expected later this year), but is based on a sharpened competitive edge and a diversifying range of exports.

Following a 1.2 per cent contraction in GDP last year, growth is projected by the Treasury at around 3 per cent this year and between 2 and 3 per cent over the following two years. The year to this March saw pastoral exports up 9.2 per cent in volume, with non-food manufacturing exports up by

Britain will soon be overtaken by Korea as New Zealand's fourth largest trading partner

12.6 per cent. Annual tourist numbers have just topped 1m, and the industry – with an enterprising new state board behind it – is gearing up for 3m by the end of the decade.

Exports to Asia are growing particularly strongly, with sales to Taiwan up 46 per cent in the past year, Korea 40 per cent, China 85 per cent and Hong Kong 42 per cent. Korea will soon overtake Britain as New Zealand's fourth largest trading partner. And almost any conceivable Gatt agreement to be got out of the Uruguay Round will be to New Zealand's advantage.

● Inflation, already the lowest in the OECD, will be virtually eliminated by next year – under the guiding hand of a Reserve Bank whose independence was enshrined in statute three years ago.

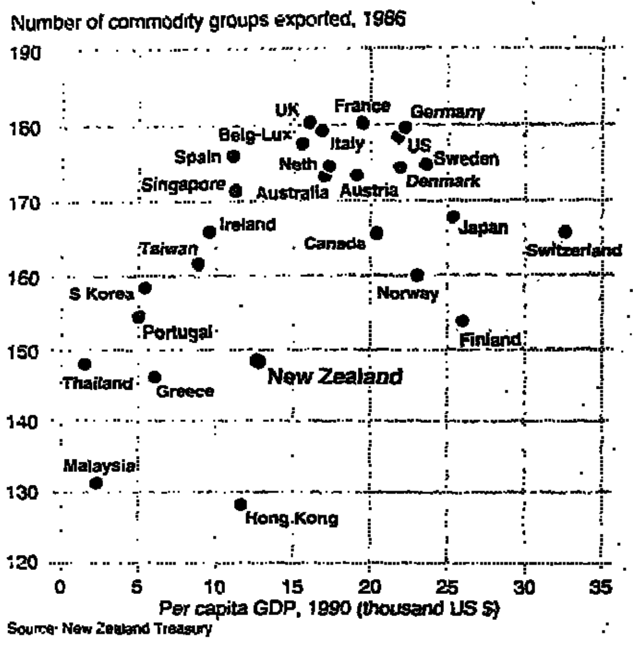
Only five years ago inflation was at 12 per cent. Now it is down to 1 per cent and consumer prices are projected by the Reserve Bank to increase by only 1.5 per cent over the next two years. With low inflation comes low interest rates. The 90-day bill rate, which stood at around 15 per cent in mid-1990, was down to little over 6 per cent in the middle of this month. Negligible inflation is undermining the cost-plus mentality: most wage bargainers have this year settled only for increases earned by productivity.

● A strong supply-side performance is fast improving New Zealand's competitiveness. The proportion of teenagers remaining in full-time education at age 16 has risen from 53 to 77 per cent in the past decade. Last year alone, the number proceeding to higher education rose by 17 per cent.

Moreover, with the Employment Contracts Act (ECA) decentralising wage bargaining to plant level and breaking the stranglehold of union leaders in Wellington, unit labour costs are falling markedly.

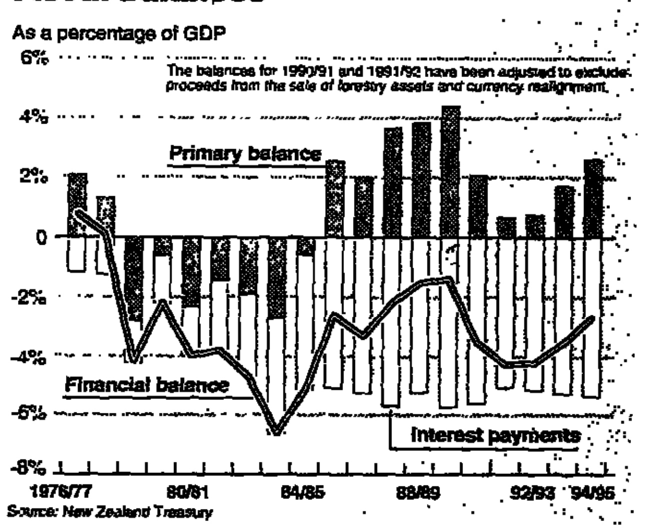
A recent survey by the Employers' Federation found a significant increase in performance-related pay (13 per cent compared with 3 per cent before), appraisal systems (18 per cent vs 3 per cent) and bonus payments (12 per cent vs 3 per cent) resulting from the shift to new contracts.

Export diversification and GDP



Source: New Zealand Treasury

Fiscal balances



Source: New Zealand Treasury

The Council of Trade Unions claims the ECA will lead to a wage blow-out when prosperity arrives – but with unemployment at more than 10 per cent, and projected to rise further over the next three years, that looks like wishful thinking.

● The Closer Economic Relations (CER) agreement with Australia, a decade old and up for revision this year, has brought trade between the countries into balance after years of Australian dominance, and is progressively expanding New Zealand's home market from 3m to 20m people.

Aviation services are the latest notable beneficiary. New Zealand carriers are to be allowed full access to the Australian domestic market by November 1994, while carriers and passengers will benefit from an agreement progressively to open trans-Tasman services to Australasian carriers besides Qantas and Air New Zealand. Most important of all, each country's airlines will be allowed access to destinations beyond the other country, enabling New Zealand airlines to fly to Asia and beyond from Australia.

So much for the roses: thorns remain aplenty. The current energy crisis is the most immediately threatening. South Island's hydro lakes, which normally supply 60 per cent of the country's power, have been drying up, and only heroic conservation efforts over the past month have prevented power cuts and compulsory short-time working.

Much of the press and public blame Electricorp, the state utility, saddled with demanding performance targets by the government; Electricorp blames the "one-in-a-hundred-year" drought – and is praying that this month's rain and snow storms keep bearing down. Either way, potential inward investors must be unimpressed.

And when the lights are back on, New Zealand's colossal public debt, monument to years of deficits and subsidies, will be more visible still. Gross public debt stands at nearly two-thirds of GDP – one of the highest levels outside the third world. This year's budget, a deliberately dull affair after last year's extravaganza, talks of "unacceptably high" debt, but still projects a $NZ3.3bn fiscal deficit for 1992-93, declining only slowly to around 2.7 per cent of GDP by 1994.

That marks a retreat from last year, when Ms Richardson was projecting a balanced budget by 1993. Her excuse is lower than projected (by the Treasury) tax revenue, particularly from business. The markets do not seem unduly concerned, given the government's firm commitment to containing spending. Ms Richardson is at pains to stress that "any fiscal savings resulting from stronger than forecast economic, revenue or employment growth will be applied to deficit reduction".

Public spending is down from 41.3 per cent of GDP in 1990 to 39.6 per cent last year; it is projected to fall to 37.4 per cent by 1995. For all the political sound and fury, Labour – which could be in office in little over a year – accepts broadly the same fiscal constraints as the current government. "Modern Labour has got to be pro-business, pro-markets and pro-wealth," says Mr Mike Moore, the party's leader. "We realise there is little room to raise taxes; but more should be done to make business pay its due."

Labour, for all the sound and fury, accepts the same constraints as the government

All depends on the strength of the recovery, and not all the omens are favourable. The Integrated Economic Services research group, whose growth forecasts are at the pessimistic end of the scale, points in particular to New Zealand's poor investment performance, and the lack of evidence of any revival. It estimates that fixed investment fell by 16.6 per cent in real terms last year, exacerbated by a fall in residential construction which previously was fairly buoyant.

As Ms Richardson herself puts it: "Many obstacles still need to be surmounted. There can be no room for false optimism, for illusions about where we are, and what we have to do."

Andrew Adonis

Don Brash is interviewed by **Andrew Adonis**

How the bank governor controls economic policy

NEW ZEALAND has achieved what Britain's economics establishment can only dream of: an independent central bank, free of month-to-month interference from politicians, with but one prime objective, to conquer inflation for good.

The publicly-avowed objective of New Zealand's Reserve Bank could not be clearer: "[to] formulate and implement monetary policy with the intention of achieving a stable general level of prices by the year ending December 1993 and maintaining price stability beyond that date". Price stability is defined as an annual rate of increase in the consumer price index of between zero and 2 per cent.

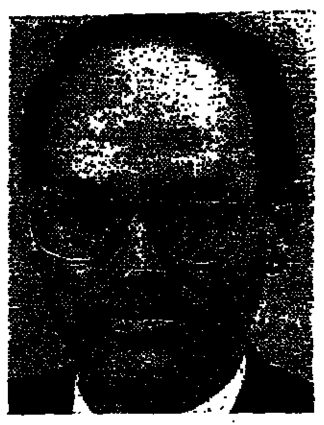
The target is almost certain to be met. Inflation is currently at just over 1 per cent, down from 12 per cent five years ago. It could be virtually zero in a year's time.

Until the Reserve Bank Act of 1989, New Zealand's monetary policy was directed by its Treasury, with the Reserve Bank largely subservient. The decision to grant the bank independence was political: with an inflation record for the previous 20 years far worse than the average for leading OECD countries, the then Labour government determined to attack the hydra once and for all.

The remedy was of a piece with wider reforms to the New Zealand public service, much of which is now hived off into quasi-independent state enterprises. Even senior officials in what remains of government departments are now on individual short-term contracts.

"There are two broad propositions behind what we have done," says Dr Don Brash, the Reserve Bank's urbane but cautious governor. "First, that central banks independent of the government are better at achieving price stability, and can achieve it at lower social and economic cost; but second, that governments of any persuasion are going to be very reluctant to hand over total control to a central bank."

Dr Brash now possesses as much effective control of economic policy as Ms Ruth Richardson, the finance minister, and his profile in the financial world is higher than anyone's but hers. Nonetheless, total control has not been given to the Reserve Bank: the new regime has been carefully crafted to retain a political long-stop should it be needed. In vision and detail it owes much to Professor Charles Goodhart of the London School of Economics.



Don Brash: very much a politicians' banker

Thus the Reserve Bank Act is a part of New Zealand's ordinary law: it has no special constitutional status, and could be repealed by a simple majority in parliament tomorrow. Even without repeal, a government could quickly undermine it – by using its statutory power to issue instructions to the bank, or by seeking to rewrite the inflation targets set out in the written agreement between the finance minister and the governor. And since the governor is, in effect, appointed by the minister, a determined government could secure a compliant governor before long.

The independence of the Reserve Bank accordingly rests on two essential pillars: its own reputation and credibility, which the 1989 act supports but does not guarantee; and the almost complete political consensus behind the maintenance of price stability.

The 1989 act was passed by the Labour government, which had already appointed Dr Brash, a former National party candidate, to the governorship. But it was supported by Ms Richardson in opposition; and when she took office at the end of 1990 only one target was changed: 0 to 2 per cent inflation was to be achieved by 1993, not 1992, a change with which Dr Brash was entirely happy, given the looming uncertainty of the Gulf War.

Dr Brash is very much a politicians' banker, preaching the message of price stability at countless lunches and dinners with a slick PR machine in tow. "If we don't carry broad public consent for what we are doing, the bank's independence will come under acute strain – whatever the legislation says," he says. The bank's half-yearly monetary policy statement, issued earlier this month – just before the budget, to warn of the dangers of loosening up on fiscal policy – concentrates on refuting claims that throttling inflation is slowing recovery. Not all are convinced, but voices like that of Mr Len Baylis, a consultant who argues that the single-minded assault on inflation has deepened the recession, are surprisingly few.

Given the political wind behind him, Dr Brash's job is largely to act as the politicians' conscience. In its last budget before the 1990 election, Labour increased spending and added significantly to borrowing: the bank responded with a hike in interest rates. "The great virtue of the new system is transparency," says Dr Brash, recalling that shortly after, the New Zealand Herald ran a leader arguing that New Zealanders now realised that governments could not win elections by unjustified loosening of fiscal policy, since the Reserve Bank would simply send them the bill in higher interest rates.

Dr Brash's term comes up for renewal just before next year's elections. He is too much of a politician to speculate on the future. But he is an easy target if recovery does not materialise; and a prize exhibit if it does.

POLITICS

Electorate turns cynical

AS A flash of lightning reveals all on a dark night, this February's parliamentary by-election in the affluent south Auckland suburb of Tamaki illuminated the main contours of New Zealand's political landscape.

The by-election in this "blue ribbon" National (Conservative) seat was caused by the resignation from parliament of Sir Robert Muldoon, prime minister from 1975 to 1984. Sir Robert was the last of New Zealand's "borrow, tax and regulate" leaders: his defeat unleashed the programme of modernisation and liberalisation dubbed "Rogernomics", after Sir Roger Douglas, Labour's radical finance minister, which in five years turned the country upside down.

The electorate thought it was voting for a breather when it turned back to National in 1990. But Mr Jim Bolger's government has taken Rogernomics into pastures new, notably industrial relations and welfare. For all the controversy caused by reforms such as the Employment Contracts Act, deregulating labour relations, or part-charges for hospital visits, the leaders of both main parties unite in their rejection of the *ancien régime*. Sir Robert's departure, after years of ineffectual carping on the sidelines, laid the ghost of an era.

For Mr Bolger, with a trail of broken election promises and a deeply unpopular welfare-cutting budget to defend, a by-election defeat at Tamaki seemed likely. Significantly, the challenge came not from Labour, but from a new rainbow "Alliance" of five parties – including Greens, defectors from both main parties, and Mana Motuhake, a Maori party – thriving on popular discontent with both main parties.

Yet on the day National squeezed back with a greatly reduced majority. The run-up to polling day saw a succession of favourable economic indicators; and the cohesion of the Alliance crumbled under the media spotlight. The real loser, though, was Mr Mike Moore's Labour party, which came a poor third, unable to pick up the protest vote.

Polls still show Labour ahead in the race for the next election, due by November 1993. But a recent survey put the parties neck-and-neck and Mr Moore has neither the credibility (as a member of the Rogernomics cabinet) nor the inclination to play the populist card against Mr Bolger. The Alliance, with a steady 20 per cent in the polls, can be relied on to do that, boosted perhaps by Mr Winston Peters, a Maori National MP sacked from the cabinet last year, who appears to be angling for expulsion from the party with a series of vitriolic attacks on the supposed misdeeds of its business allies.

Mr Bolger's evident capacity to trim to the tide is softening the edges of antagonism

But remember Tamaki. Labour and the Alliance will be up against the same problems in the next election, with National starting from a higher base. The Alliance lacks not only coherent policies, but even a leader – and the favourite for the post, Mr Jim Anderton, a 1980s defector from Labour's left, is unlikely to strengthen its appeal to the middle ground. As for Labour: "we will win because we are the conservative party", says Mr Moore, pointing to the array of interests antagonised by the latest dose of reform medicine. Perhaps, but the generally perceived strength of the economic upturn is working to National's advantage, while Mr Bolger's evident capacity to trim to the tide – as in the succession of back-downs from especially unpopular aspects of Ms Ruth Richardson's 1991 budget – is softening the edges of antagonism.

The odds, therefore, must be on Mr Bolger surviving next autumn with a small majority. However, for both main parties an arguably more critical test is less than two months away, in the shape of a national referendum on proportional representation. A shift from first-past-the-post to a form of PR would break the mould of New Zealand's two-party system, with fragmentation, coalitions and inter-party wheeling and dealing the most likely consequences. Suffice it to say that National and Labour are campaigning side by side to preserve the *status quo* – which fact alone may be enough to ensure its destruction, say the cynics.

In a bid to avert that, the government has erected a veritable obstacle course to electoral reform. On September 19 voters have to choose between five systems – first-past-the-post and four more or less proportional alternatives. If there is a majority for change, a further referendum will be held on the same day as the next general election, offering a straight choice between the existing system and the reform option gaining most support in the first poll – which is most likely to be the "mixed member" system, a variant on that used in Germany. The politicians are hoping that even if a majority vote for change first time – which appears likely – the disparate pro-reform movement will have run out of steam in a year's time.

In case it does not, the issue is to be complicated further still by a third referendum, on restoring New Zealand's second chamber, to be held in tandem with the second and the general election. The revival of the upper house, abolished in 1951, is a pet scheme of Mr Bolger's. He supports it for traditional Tory reasons (mature reflection on legislation and so on), but there is even less agreement on the form of a new second chamber than on a new electoral system.

So constitutional revision is very much in the balance. But it is important to remember why it is on the agenda at all. Neither main party felt it could face the last election without offering voters the chance to change the system, and PR, endorsed by a royal commission in the 1980s, was and is the most popular panacea.

Panacea for what? Mr David Lange, the former prime minister, says bluntly: "It is deep-seated cynicism about politics and parliament. It is massive alienation of the electorate from the elected. It is lack of confidence in our system."

Unless they can restore confidence, no amount of clever footwork will save New Zealand's politicians from a still stronger backlash. And with or without PR, their best hope of salvation lies in prosperity.

Andrew Adonis

Andrew Adonis on the impact of social reforms

Shock of a shake-up

IT IS just over a year since Mr Jim Bolger's newly-elected National government launched a calculated *Blitzkrieg* against New Zealand's health, education and industrial relations establishments. Determined to extend the outgoing Labour government's "Rogernomics" to the labour market and welfare state, Mr Bolger and his colleagues knew they had to move decisively in year one before the trimming inevitable in the run-up to next year's election stopped reform dead in its tracks.

The Employment Contracts Act (ECA) is the most ambitious component of the package, cutting a swathe through half a century and more of industrial relations policy. Gone, in one fell swoop, is the closed shop which held sway over large chunks of (mainly blue-collar) industry, and with it national, occupation-based, union-negotiated awards which are still the norm in Australia. The act swept away the special negotiating rights and privileges of trade unions, allowed employers to insist on individual or enterprise-wide contracts in place of the former collective contracts, and limited the role of the courts in employment disputes.

These changes, largely drawn from plans formulated in the late 1980s by the influential Business Roundtable, have had most impact on the unionised 40 per cent of the workforce. But there have been significant knock-on effects for the country's managers. "General managers now have to manage the most important aspects of their business – pay and conditions," claims Mr Alan Jones, industrial relations director at Fletcher Challenge, New Zealand's largest conglomerate. "It's been a shock for many of them – but it's about time," he adds.

For Campbell Tubes, a small car components manufacturer in Thames, near Auckland, the ECA has meant a zero pay increase this year, greater managerial flexibility in deploying staff, and an end to the old regime of time-and-a-half for the first three hours of overtime and double time thereafter. But only after a week-long stoppage before the Engineers' Union would sanction the new single-company contract. The union sent its national officials down to Thames to consult the staff and negotiate the deal – the first time the company can recall seeing them in Thames.

It has been a similar picture throughout unionised industry, with tourist-related concerns the biggest gainers. New Zealand's business elite is convinced the ECA has given the country an edge over "sleepy" Australia, for whom an equivalent of the ECA is still but a gleam in opposition leader Dr John Hewson's eye. But it is early days, and as yet concrete examples of investment diverted are hard to find.

Simon Upton: 'we will have to contain spending to survive'

Predictably, the Council of Trade Unions cries foul play. But the transition has proved fairly smooth in most of the private sector, which was anyway in the throes of radical restructuring in reaction to the "Rogernomics" and economic slowdown of the 1980s. Mr Ken Douglas, the council's president, claims that wages have been screwed down. But with inflation at 2 per cent and declining, and the economy still weak after a decade of low growth, it might more accurately be described as an end to the "cost plus" mentality.

However, in the public sector the transition has been far from painless. In particular, the government's termination of collective contracts for teachers has led to strikes and virulent protest. Teacher unions see the move as an integral part of ministerial designs to shift all state funding, and with it control of teachers' pay and conditions, down to schools. This is undeniably the government's objective.

Dr Lockwood Smith, the education minister, is piloting complete devolution of funding to the "trustees" (elected governors) of 60 schools, and before even assessing the pilot has shifted funding of all senior staff to schools. Dr Smith speaks approvingly of England's grant-maintained schools, and wants to create similar "private schools without fees" in New Zealand.

Health reform is driven by the same desire – and UK models – for separating "purchasers" from "providers" and evicting politicians from the detail of public sector management. The country's 14 integrated area health boards are being replaced by four appointed regional health authorities which will buy services from between 20 and 25 "Crown Health Enterprises", each of which will run a general hospital plus a range of ancillary services.

Unlike Britain, the model is not to be extended to primary providers, but in New Zealand they were only ever partially absorbed into the "free" national system, and the government has contented itself with removing entirely the subsidy paid for visits to GPs by above-average income earners. They must now pay the full cost – averaging around NZ$30 (£9) – for such visits.

Gone, too, are most remaining universal welfare benefits, including a significant reduction in payments to pensioners. Most controversial, though, are new part-charges for hospital visits, introduced earlier this year. Labour and leading health practitioners say this is the first step towards fully privatised health care.

Mr Simon Upton, the health minister, vigorously refutes such claims. "Our agenda is simple: to cope with the fact that we are a heavily indebted country that will have to contain spending to survive," he says. The charges will extend to only 20 per cent of users – but now the charging structure is in place, they can easily be extended downwards, say the critics.

To an outsider, the welfare reforms look positively revolutionary. But Mr Upton insists: "The only significant political debate in New Zealand is whether governments of whatever party will be able to resist calls for a social dividend from growth." For the government, debt reduction must have first call; doctors, teachers and union leaders have other ideas.

Terry Hall on the country's relations with its island neighbours

A beacon in the Pacific

NEW ZEALAND in the 1980s and early 1990s has become increasingly aware of its relatively small size. This realisation has been bolstered by its banishment by the US from the Anzus defence pact, and awareness that its once close links with Britain are fading as the UK becomes more deeply involved in the European Community.

Much to its surprise, it continues to be regarded as a Pacific power by many of its smaller island neighbours. In part, this is historic: following the First World War it became a colonial power itself as Western Samoa, a German Pacific territory, was ceded to its control. Many Pacific Island leaders studied in New Zealand schools and universities, fostering links that remain strong to this day.

Relations with France, the region's last remaining colonial power, remain uneasy because of French nuclear tests. The Fijian coup caused a rift which is healing under a new National government.

Turbulence often marks relations with states such as Samoa, although these tend to centre on migration problems, particularly New Zealand's treatment of overstayers. Recent New Zealand governments have run into friction over aid matters, as they seek to earmark donations to causes that are seen as of economic value to the island nations.

The five cyclones that devastated many of the nations in the past 18 months, however, have shown the deep links with New Zealand in a generous outpouring of aid by both the government and individuals. More Samoans now live in Auckland than in Western Samoa. Remittances from migrants working and living in New Zealand to relatives are an important part in sustaining some island economies.

New Zealand has always been a trading nation. For over a century it has supplied foodstuffs to French territories such as Tahiti and New Caledonia. These commercial links led the Bank of New Zealand to become the main retail bank in most of these territories. The bank's financial problems from 1987 forced it to sell these subsidiaries to Australian banks.

Today the Pacific, including Papua New Guinea, remains a significant market for New Zealand products. This includes meat – the area takes 5 per cent of all meat exports – and fresh vegetables. New Zealand places a considerable effort in diplomatic relations with these often highly sensitive small states. These efforts seem to be successful: despite occasional problems, New Zealand is warmly regarded as its smaller size makes it less threatening to tiny nations. As a result, New Zealand is set to win an increasing share of trade with these countries.

THE MAORIS' GRIEVANCES

They 'need a place in the sun'

Maori children dressed in traditional costume for a ceremonial occasion

IN A bid to settle grievances that have strained relations with the Maori people since the signing of the Treaty of Waitangi with the UK in 1840, the New Zealand government is painstakingly working through hundreds of land claims. The aim is to achieve a "full and final settlement" by the turn of the century to try to bring about greater harmony.

The land issue is the most graphic sign of problems between Maori and other races in New Zealand. But there are other difficulties, such as Maori bitterness at the enormous influx of Polynesians from neighbouring Pacific territories. There are now 20,000 more people from Polynesia living in Auckland than Maoris; Polynesians will also soon outnumber Maoris in Wellington. Largely unskilled, they tend to compete with Maoris for jobs and live in similar state housing areas.

Apparently due to peer pressure, Maori children tend to leave school at the earliest opportunity, a point being addressed by the government which raised the leaving age for all races to 16 in the July budget.

Maoris form a disproportionate percentage of people in jail: a figure possibly related to their higher than average level of unemployment. Efforts are being made through work schemes to tackle their lack of skills.

Their leaders retain confidence that some of the Maoris' economic problems will be settled through the hearing of claims over the Waitangi Treaty. This has already seen the Maoris receive a substantial share of offshore fishing resources, as a direct result of the previous Labour government backdating all claims to 1840.

The land issues have been more contentious, especially a controversial claim by the Ngai Tahu tribe for most of South Island. As privately-owned land is outside any claim, in effect this is a claim for all government land, most of which was transferred to state-owned enterprises.

The Ngai Tahu people have to date received around NZ$35m from their claim through a land bank procedure. It is hoped this could lead to a settlement of all their claims within a year, possibly netting them NZ$350m. In such cases the Maoris tend to invest the money, often with the target of creating work for their people.

In the North Island protracted delays in reaching settlements have led to isolated incidents such as the burning of a farmer's home recently after he sought higher compensation than the government was prepared to pay over a disputed parcel of land.

Mr Doug Graham, minister of justice, hopes the claims will have the effect not only of improving race relations but also of letting Maoris "out of the dependency mode where they've been for much too long. They need to take their place in the sun like everyone else." He says durable solutions are being achieved when both sides think a deal is fair.

"In the past the Maoris never had that opportunity. They were just told: This is how much you're going to get, and you're damn lucky to get it.

"What the Maori people want is something that gives them a leg up to where they were before the expropriation took place," he says.

Terry Hall

Terry Hall on the rise of Fay, Richwhite

Financiers with the highest profile

MERCHANT bankers Sir Michael Fay and David Richwhite are symbols of the successes of the economic reforms launched under the Labour government from 1984.

Their company Fay, Richwhite has been at the centre of much of the state asset sales either as adviser, facilitator or financier. They have been involved in many corporate mergers and takeovers. Last week they agreed to sell their 27 per cent holding in Bank of New Zealand, which has been acquired by National Australia Bank.

Fay, Richwhite has a vigorous, fast-growing operation in Australia and is also represented in money market operations in Britain, the centre of its European operations.

In New Zealand's list of wealthy people, the two regularly feature near the top. And Sir Michael has become something of a national folk hero through his dogged attempts to win the America's Cup: twice on the water and once through a special challenge and ensuing protracted court actions in New York.

The two have been partners since 1975, and both are 43. Sir Michael, a lawyer, met Mr Richwhite in the early 1970s when both worked for a pioneering merchant bank, Securitibank. The pair have a reputation for good timing: both resigned to set up their own business well before Securitibank's collapse in December 1976.

Only once have they been caught out: when they rushed to buy the stake in the Bank of New Zealand in 1989. The bank later discovered it had massive

Both resigned to set up the business well before Securitibank's collapse in December 1976

bad debts totalling NZ$1.4bn in Australia, and Mr Richwhite has said they failed to do their homework properly.

Early days for the partnership were difficult: the two operated from a tiny office and experimented with property speculation, financing restaurants and films.

However they prospered from the early 1980s when controls were put on interest rates as part of a freeze. As early supporters of the Labour government of Mr David Lange and Sir Roger Douglas, they helped set in motion the reforms of the Rogernomics years, and are quick to say they made a fortune out of being the first, and for a time the only, players in the Euro-Kiwi financial markets which took advantage of the lifting on controls on currency and investment.

Their company took an active role in advising the government on possible asset sales. They handled the biggest sale of all, Telecom, to Bell Atlantic and Ameritech for NZ$4.2bn in 1989, also being responsible for Telecom's international public float last year.

Both men are now seen as key figures in the Auckland establishment. They are personally charming: attributes which have helped them rise to the top of acceptability from running what was considered a fringe operation in a remarkably short period of time.

Sir Michael has the high profile: Mr Richwhite is cast as the backroom boy who makes sure the company and all its deals run smoothly. Fay, Richwhite is New Zealand's most prominent financing organisation, and appears determined to stay that way.

IMMIGRATION

Britons are targeted

UNDER A NEW migration policy, New Zealand is once again actively promoting itself in Britain, the source of most of its European migrants since the whaling and sealing days of the early 1800s.

From annexation by Britain in 1840, New Zealand's migration statistics have been dominated by British migrants. (This changed in 1976, when the Muldoon government, concerned about over the high economic cost of settlement in the face of the first energy crisis, clamped down on all migration.) Thousands of New Zealanders, many in senior positions in business, government and the bureaucracy, today speak with English accents and are proud to say they were assisted migrants under the long-running £10 assisted passage scheme.

Thanks, possibly, to their numbers and the influence of their descendants, there is no anti-monarchist republican movement as there is in Australia.

From the 1960s New Zealand received increased waves of Polynesian migrants as the country struggled to find unskilled labour for its protected industries. With the dismantling of protection since 1984, many are now unemployed. Most Polynesians now gain admission through family connections, although overstaying by island people on holiday, or with expired work permits, is a continuing problem for the authorities.

Since the Fijian coup, New Zealand has had a high level of Indian migration, while thousands of Asians, many from Hong Kong, Taiwan or Malaysia, have gained admission through various entrepreneurial schemes.

Officially, New Zealand welcomes migration from all parts of the world. But a preoccupation of Mr Bill Birch, the new minister of immigration, has been to emphasise skills. Mr Birch, regarded as the most powerful man in the cabinet, is the driving force behind the new policy which initially targets British migrants – and sets out to make them aware of their acceptability.

Under the new system, people interested in buying an existing enterprise, or seeking a top position to manage the changes now under way in the country, will be keenly sought. Among others, this policy has led to the recruitment of Dr Peter Troughton, the former Telecom head who is now a senior government adviser on health, and Ms Angela Griffin, the new Wellington city manager.

A second target group is people loosely described as wanting to "take a chance with a new initiative, or doing their own thing, or in competing for management positions." The British initiative has had a good response; in the first few days 600 applied for information from New Zealand House. A simple points system is designed to tell intending migrants quickly of their acceptability.

Over the past year, the number of migrants from Britain appears to have reversed a declining trend – it is believed that the complex admission systems were a great handicap.

A total of 3,547 British migrants received residence permits in the year to June 1990; 16.19 per cent. In the year to June 1991, 3,875 people settled from the UK (15.58 per cent) and in the year to June 1992, 3,267 – 16.92 per cent – have been accepted. Under the new policy this number is expected to grow over the coming months.

Europe is also targeted (from the New Zealand embassy in Bonn): 5.54 per cent were accepted in 1990; 7.16 per cent in 1991; 6.72 per cent to June this year. The rest of the world provided 17,146 (78.27 per cent) in 1990; 19,209 (77.26 per cent) in 1991, and 14,745 (76.36 per cent) to June this year.

Terry Hall

Profile: PAUL COLLINS

Cautious winner at Brierley

Paul Collins: a walking encyclopedia on British hotels

PAUL COLLINS – as much as anyone – wants to see a strong revival of the UK economy and its tourist industry.

The man who spearheaded Brierley Investments' purchase of the British hotel group, Mount Charlotte, now faces pressure to prove to a somewhat sceptical New Zealand investment community that it was a good move. The purchase in 1991 represented Brierley Investment's single biggest investment, and was seen as a declaration that Mr Collins, not founding chairman Sir Ron Brierley, was now running the company with the support of Mr Bruce Hancox, the executive chairman.

Mr Collins, who has been chief executive of Brierley Investments since 1983, was enthusiastic about Mount Charlotte and its management team led by Mr Robert Peel from the time BIL bought its initial stake in 1987. To address the balance-sheet strains, Brierley this year sold its other major British investment, Tozer Kemsley and Millbourn, the car group, arguing it was now a mature investment. TKM was restructured over much of the previous decade by Mr Reg Heath, its chief executive, with full BIL financial backing and the support of Mr Hancox.

Mr Collins, who visits Britain most months to study the Mount Charlotte investment, has become a walking encyclopedia on the British hotel and tourism industry. He has a remarkable ability to remember facts and figures about the company he heads, its investments and technicalities in its balance sheets and those of its subsidiaries. This seems to have been bred into him. Both his father and grandfather were New Zealand auditors general, and his uncle, Sir Bernard O'Connell, was a brewing magnate.

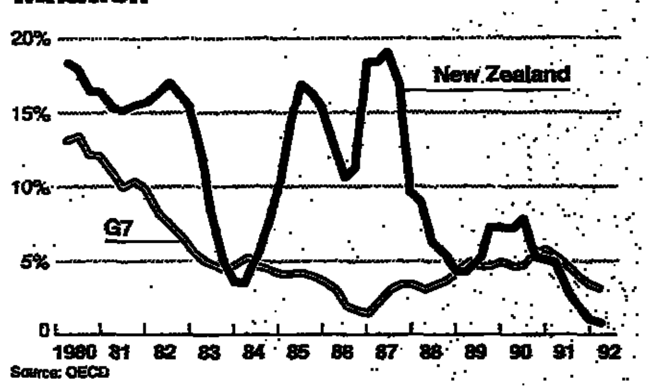
Now 39, Mr Collins was a key player with Mr Hancox in the boardroom coup which led Sir Ron Brierley to step down as chairman in 1989. This followed the 1987 crash and differences of views on how the company should be run in a new investment climate. Sir Ron was reluctant to sell some major assets, and was keen to invest in others. Mr Collins' innate caution triumphed, and led to the sale of NZI, Winstones, New Zealand Newspapers and most contentious of all, IEL, the Australian investment vehicle that Sir Ron had developed over 20 years living in Sydney.

Since the coup, Brierley Investments has been accused of lacking Sir Ron's vision. Confusingly, both Mr Collins and Mr Hancox argue they run the company on Sir Ron's guiding principles. Sir Ron still provides some input on the board and runs the Brierley subsidiary GPG, which has BIL backing.

Mr Collins says that caution is among his personal weaknesses, along with perfectionism. He has imposed disciplines, especially on financial reporting, on the company, and as one of its largest individual shareholders, he is determined to see it succeed. He has a reputation for being single-minded. "I make no apologies for being tough. There are no rewards for second prize, and every transaction must be done to the best extent you can," he says.

Terry Hall

Inflation



Source: OECD

Profile: IAN DONALD

Challenge that could not be turned down

AFTER SEVEN difficult years in charge of the restructuring of pulp and paper group, Fletcher Challenge Canada, Mr Ian Donald seemed a surprise choice to be recalled to Auckland to become chief financial officer for its parent – New Zealand's biggest company.

With revenues of US$8bn, Fletcher Challenge has substantial overseas investments in Australia, Brazil, Chile, Canada, Britain and the US. Mr Donald's original term had been extended by two years. It was expected he would stay in Canada till the company returned to profit after the losses of the past two years.

Mr Donald is the last remaining senior executive of the old Wellington-based Challenge Corporation which merged with Fletcher Holdings of Auckland in 1981. After the transfer of the head office in 1987 from Wellington to Auckland, senior Fletcher people increasingly dominated its management. Yet, had the merger not occurred, Mr Donald seemed earmarked to succeed Sir Ron Trotter as chief executive of Challenge, the country's biggest rural group.

As financial officer, he succeeds Mr David Sadlier, one of the country's most popular business figures who had held that post, first with Fletchers and then with Fletcher Challenge, for over 20 years.

Mr Donald dominates any group. He is 6ft 6in, powerfully built, with a booming voice. He was born in Liverpool in 1941. His doctor father, who was serving with the Eighth Army in North Africa, sent his young family for safety to Canada and then South Africa. When the family was reunited after the war, they emigrated to New Zealand. Mr Donald worked on farms for three years before deciding he needed better qualifications.

After completing degrees in commerce and accounting, he gained qualifications in farm accounting in England and agricultural economics at Michigan State. He joined Challenge Corporation in 1972, becoming head of the rural division of Fletcher Challenge in 1981. As head of the company's operations in Canada from 1987, he oversaw the merger between British Columbia Forest Products and Crown Forest Industries to form Fletcher Challenge Canada, and the C$1.4bn upgrade of its plants.

The company's sales total US$2bn, but because of the recession profits have been erratic. In 1989 the group earned US$250m after tax, but it incurred a US$20m loss last year, with a similar result expected this year. Mr Donald says he is very bullish about the industry and prices should pick up as the slow economic recovery gains pace in key North American markets.

Terry Hall

RELATIONS WITH AUSTRALIA

Closer, but still some way apart

NEW ZEALAND'S political and trading relationships with Australia have undergone striking changes since the signing of the closer economic relations pact a decade ago. Today they are major trading partners, with increasingly close links in defence, aviation, customs and police.

It was not always so. For though both countries had similar British origins and links in war, migration flows (New Zealand is much closer to the main Australian population centres of Sydney and Melbourne than these are to Perth in West Australia) and similar democratic systems, both jealously guarded their independence.

New Zealand, as the more Anglophile of the two, retained closer trading relationships with Britain after it joined the EC. Australia, the stronger economy, increasingly looked to Japan and Asia. Enthusiasm for closer economic relations was stronger in New Zealand. Signing of the CER agreement succeeded because of the enthusiasm of Mr Hugh Templeton, National's trade minister, and Mr Doug Anthony, Australia's deputy prime minister and leader of the minority Country party, both frustrated at the slow progress of Nafta, the previous trade pact.

Today it would be difficult to imagine any serious rupture in the CER agreement as it has produced significant benefits to both countries. Yet the fragility of the relationship was shown last month when Mr Don McKinnon, New Zealand's deputy prime minister, needed considerable diplomatic skills to defuse a strong move within the governing Australian Labor party and the ACTU, the trade union organisation, to impose work permits on New Zealand workers who were allegedly working outside the union movement for cut price wages, and not paying Australian tax.

As seen from New Zealand, the issue was a crucial one, and struck at the heart of CER, as an open and free labour market was seen as a vital component. Work permits had never been needed between the two countries, and the issue, initially sparked by the Australian Shearers' Union, seemed trivial.

In his talks with Australian ministers Mr McKinnon hinted delicately that New Zealand could retaliate with reciprocal requirements. This could have profound effects on major Australian companies in the banking, insurance and manufacturing industries which have recently moved to dominate some sectors of New Zealand business.

Disrupting the free movement of labour, Mr McKinnon warned, could act to the ultimate detriment of the Australian economy. Mr McKinnon, who has excellent relations with senior labour figures, succeeded in his mission with an agreement that tax matters would be investigated. But the matter left a feeling of nervousness in New Zealand government circles that a relatively minor issue, whipped up by trade unionists, got as far as it did in nearly undermining CER.

There is also some concern in Wellington that the review of CER, due this year, seems to be making very slow progress. It is concentrating on a number of issues, including making it easier to trade, travel (where some progress has been made) and to invest in and work between the two countries. The review is also supposed to consider such questions as a new double tax agreement which would facilitate the paying of imputation, or tax on shares in companies in the two countries.

Widespread publicity in Australia about the success or otherwise of New Zealand's economic reforms, especially in curbing union power and cutting wage agreements, has antagonised some Australian ministers in the Labor government who, judging from recent speeches, seem keen to stop the spread of what is known in Australia as "the New Zealand disease".

Both Mr McKinnon and Mr Jim Bolger, the prime minister, are expected to concentrate their efforts in the coming months on trying to play down ideological differences with the Australian government and return to the warmer relationship that existed between 1984 and 1991 when both countries had Labour governments.

During that period, the reformist New Zealand government of David Lange swept aside a vast array of controls on the economy, including relaxing ownership rules on companies. This led to a rush of Australian investment, which accelerated after the 1987 share market crash as share values plummeted in New Zealand.

The strengthening business links became apparent in May and June when the Australian government was seen in Wellington to have shown considerable flexibility to the New Zealand position in establishing its new aviation policy. The first step in this was to create a single aviation market between the two countries, while New Zealand needed to move to protect the interests of Air New Zealand, in which Qantas is a substantial shareholder.

Politically, there remains considerable public disquiet over the signing of a NZ\$2.4bn agreement by the Labour government in 1988 under which the Australians are to build two frigates for New Zealand. Costs have risen by 31 per cent already, and a government committee has expressed reservations about the wisdom of the deal which was supposed to have led to NZ\$700m worth of business for New Zealand manufacturers. The frigates could have been bought much more cheaply from British or European shipyards.

While overall trade statistics show that trade between Australia and New Zealand is broadly in balance, that reverses the situation from the 1970s when Australian manufacturers dominated. New Zealand exported \$2.11bn worth of goods to Australia in 1990-91, the latest year when figures were available. This was a 1 per cent drop in 1990 figures, and represented 17.9 per cent of all New Zealand exports (compared with 18.9 per cent in 1990). The drop was due to recessionary trends in Australia.

New Zealand now supplies 4.7 per cent of all Australian imports. Australia has increasingly drawn ahead of Japan, the EC and the US to become New Zealand's most important market, taking 52 per cent of the country's manufactured goods. It is estimated that, thanks to the economic reforms, currency changes, lower wage and industry costs, New Zealand companies enjoy a 25 per cent cost advantage over their Australian counterparts.

From the New Zealand perspective, there are several worries over the future of the agreement. These rest on the need to maintain the present competitive advantage; uncertainties of how far the Australian tariff reduction reform programme will go and what effect this will have on exports of top quality New Zealand apparel and garments. On the positive side, it is now widely acknowledged in business circles that barring unforeseen political problems, the two countries will inevitably grow increasingly close, leading to the hoped-for single market.

Among business people, there is also growing talk of eventual political union, with New Zealand in effect becoming a state of Australia. However, this is unlikely to happen quickly. Older New Zealanders – and the present generation of politicians – will not rush to give up their notions of independence.

Terry Hall

Angela Wigglesworth salutes a growing reputation for fine wines

Just right for British palates

A GRAPHIC indication of the meteoric rise over the last decade of New Zealand's reputation for fine wines is that there was no mention of them in Hugh Johnson's encyclopaedic book published in 1966. Not until the 1980s did New Zealand wine begin to have international status: in 1981 exports to the UK totalled 37,890 litres; 10 years later they had jumped to 2.2m litres. For the 11 months to June this year, the figure is 3.3m litres.

While domestic wine sales are expected to fall from over 41m litres in 1990-91 to 39m litres in 1991-92 (last year's budget curtailed retail spending and raised wine prices through increased excise duties), exports have grown by 21 per cent in volume and 32 per cent in value over the same period. White wine accounts for 83 per cent of output, red-wine (growing at the fastest pace) for 11 per cent, sparkling wine 4 per cent and fortified wine 2 per cent. The UK, which takes 42 per cent of the country's wine exports, is New Zealand's biggest market.

"More people in Britain are becoming aware that New Zealand makes wine that is of high quality and sells it for just under £5 a bottle," says Ms Vicky Bishop, UK manager of the New Zealand Wine Guild, a group of export wineries established last year. The range is large for a relatively small country and, at the guild's annual tasting in London this year, visitors were able to try 200 different and many award-winning wines – Sauvignon Blanc, Chardonnay, Chenin Blanc, Riesling, Cabernet Sauvignon and Pinot Noir – from 43 of the country's 100 or so wineries.

The main wine-producing areas – the most easterly in the world – are in north-west Auckland, the Bay of Plenty, Gisborne, Hawke's Bay and Martinborough, the Canterbury Plains, Nelson, Central Otago. In Marlborough, the Wairau Plains has become one of the 10 great wine-producing regions in the world and the largest in New Zealand. It is hard to believe the first grapes were planted here only in 1973.

But wine-growing in other parts of New Zealand goes back 140 years: Mission Vineyards at Hawke's Bay dates from the settlement of French missionaries in 1851. Corbans in Henderson was established in 1902 and Te Mata in 1909. Many winemakers and growers are third and fourth generation descendants of European immigrants who brought the skills of winemaking with them.

Montana, for instance, was founded in 1944 by a Dalmatian immigrant Ivan Yukich and now has 850 hectares of vineyards yielding up to 15,000 tonnes of grapes. With a 1,000-tonne winery crushing an estimated 45 per cent of New Zealand's entire grape crop, it is the largest winemaker in the country.

The most successful winery, says Bob Campbell in his New Zealand Wine Annual, is Cloudy Bay whose Sauvignon Blanc "developed cult status almost immediately after the release of the first vintage in 1985 and has remained highly sought after ever since." Mr Kevin Judd, a wine-maker who was born in England but left when he was nine to live in Australia, told me, over Vivaldi's music in the winery, how the company began: David Hohnen, the Western Australian winemaker, had "got successful with his reds, wanted to make whites, but wasn't getting the right quality."

In 1984, four New Zealand winemakers dropped in to see him, produced a bottle of their Sauvignon Blanc which so impressed him that within a year Mr Hohnen was in New Zealand having a look round. "In 1985 he offered me the job of winemaker," says Mr Judd, "and we set up Cloudy Bay." Today around 90 per cent of its wine is exported round the world where it is pre-sold before delivery.

Another success story comes from the three Nobilo brothers,

Cooks McWilliams Wine Co Vinery at Te Kauwhata

the second generation to run their family winery, Nobilo Vintners, which is nearly 50 years old. Last year they signed a NZ\$3m contract to supply 1.5m quarter bottles of their Poverty Bay Chardonnay to British Airways. The deal boosted New Zealand wine exports by 6 per cent and made BA the first airline to serve non-European wine on its European flights, according to Mr Peter Russell, BA's public affairs manager.

New Zealand's only *methode champenoise* specialist is Mr Daniel Le Brun, a 12th generation champagne maker from Epernay in France, who came to Marlborough in 1979, bought 35 acres and opened the winery six years later. "He came looking for a hillside and found this," his wife, Adele, who comes from Cumbria and is the winery's marketing manager, says. "This" was, indeed, a hillside and Mr Le Brun dug deep into it to create the only underground cellar in New Zealand to provide him with a naturally cool environment for maturing the wine.

"Everyone thought he was completely round the twist," Adele says, "but it's worked."

Many vineyards have introduced Visitors' Tours and Trails (one company runs a "de luxe scenic wine trail with white water rafting" two-day package) and there are at least 10 local wine and food festivals.

The largest is in Marlborough, sponsored by Air New Zealand, which also offers a wide selection of New Zealand wine on its aircraft, changing the wine list quarterly to bring innovative local winemakers to the fore. Their festival, held every February on Montana's Brancott Estate and now in its ninth year, is so popular that a hectare of grapes has just been pulled up to make more room for its 14,000 visitors.

"You can sample a glass of the best Sauvignon Blanc in the world, while relaxing on a hay bale enjoying the musical entertainment in the sunshine," says Mr Mike Blair, the festival's enthusiastic co-ordinator, adding that a pink and blue toilet built specially for the Queen's recent visit to the area but never used, was now the festival's information centre.

Avery, the Bristol shippers, wine merchants and agents for Nobilo, was one of the first to bring New Zealand wine to the UK. "We are always looking for wine that tastes as if it was £7 a bottle but costs £5," says Mr David Pinchard, marketing manager. "What makes New Zealand wine so special? It has to do with the climate (warm sunshine, light summer rains and a long autumn ripening period) which seems to produce these very dramatic Sauvignons that don't taste like anything else in the world."

The way they make some of the wine is unusual, too, he says. They pick grapes on South Island, truck them up overnight to Auckland and arrive at the wineries with the fruit pressed down and frost on it. "It's a vision of wine making that is different from anything that exists in Europe.

"All of us in the business," he adds, "are terribly keen for the New Zealand wine industry to work. The wines are so good they're forcing the French to re-evaluate theirs."

The New Zealand Wine Guild will be taking part in a regional wine tasting in Bristol (September), the Sunday Times/Decanter show (October), the BBC Good Food Cooking and Kitchen Show (November) and a consumer tasting in London on December 8 at the Commonwealth Institute.

TOURISM

Target trebled after visitors top 1m

IN VICTORIAN times, New Zealand's early tourists flocked to see the famous Pink and White Terraces near Rotarua in North Island until this landmark was destroyed by a volcanic eruption in 1886. Today, most tourists go to New Zealand for its scenic beauty and the innumerable outdoor activities it offers.

For the first time, in the year ending April 1992, visitors topped the million mark with 1,016,589 international arrivals mainly from Australia, the US, Japan, the UK and Germany. "This puts the tourism board right on track for reaching its target of 1.123m visitors by the end of 1992," says Mr John Banks, the country's tourism minister.

Last year, the government formed a private sector-managed tourism board. Of its budget of NZ$60m, the government provides NZ$20m, with a further NZ$20m to be awarded, so long as the commercial sector matches the sum, which it is on target to do within the year.

"This is three times the amount we have previously had and it provides us with a wonderful opportunity," says Mr Norman Geary, chairman of the tourism board. "We are telling airlines, tour operators and others involved in the New Zealand travel scene that we are going to put more money on the table to help them, but they have also got to make funds available. The more costs are shared, the more benefits there will be for those who contribute towards them."

Tourism currently generates NZ$6bn (around £3bn) a year, the largest single amount of overseas income. In a comprehensive strategy for growth, the board has set out its plans up to the end of the decade. Its long-term aim is to attract 3m visitors by the year 2000.

That is a staggering figure since it is about New Zealand's present population. But the benefits to the industry and economy generally of achieving this target, says Mr Geary, would be NZ$5.7bn in foreign exchange earnings with 270,000 jobs in tourism, double the present figure.

Was there not a danger that that many visitors would destroy the very things they came to see? Mr Ian Kean, the tourism board's chief executive, admits that if there is too much growth, the environment will suffer. "Growth must be managed carefully, sensitively and correctly," he says. The board works actively with the Department of Conservation and the national parks to ensure visitors do not spoil any natural attractions.

Investment opportunities exist in abundance, says Mr Kean, and the tourism board work as a catalyst "with anyone to make things happen".

The board has begun a series of investment seminars in some of the world's main markets to promote opportunities in New Zealand. One has been held in Singapore and others will follow in Britain, Japan and Korea. The campaign, the board hopes, will help shatter the myth that New Zealand is clean, green but boring.

This year, too, Auckland has broken a northern hemisphere grip on a million dollar-a-day business by winning a bid to host the 1994 world conference of the Society of Incentive Travel Executives. About 300 travel planners, controlling budgets totalling more than NZ$17bn a year, will see what New Zealand has to offer.

Ask most visitors what they like about the country and the answer is likely to take in the unspoilt landscape, the cleaniness of the cities, the unpolluted air, the friendliness of the people, the Maori culture. You can find the scenery of the whole world in New Zealand, packed into a country the size of Britain: snow-topped mountains, rainforests creeping to the feet of glaciers, turquoise lakes and rivers, wide plains, fiords, fine beaches, steaming mudpools and geysers.

Older people may like to experience these from the comfort of a car or coach (there are many organised tours). But now, with the introduction of lower-cost charter flights, more young people are able to get to New Zealand and the 24-35 age group – who walk the long-distance tracks, swim with dolphins, go whale watching, bungy jumping, river rafting and skiing, to name a few of New Zealand's many sporting activities – has become an important target market.

Uncrowded roads make for easy driving but InterCity coaches and trains are comfortable (some have sheepskin seats), clean and punctual. Bus drivers and train guards give cheerful commentaries; Devon cream teas are served on the Tranz Alpine Express as it climbs the spectacular Southern Alps, and you can reach the inter-island ferry at Picton by the Coastal Express that travels up the east coast of South Island to the Marlborough vineyards.

New Zealand has its share of top hotels but more visitors are discovering that Home and Farm Stays are good value. These are a fairly new development, the equivalent of bread-and breakfast in the UK, and a first handbook about them has recently been published.

For disabled visitors, the country has been called the most accessible on earth. Every new public building and major reconstruction is required by law to provide adequate access for people with disabilities and there is a a guide available for "the less mobile traveller".

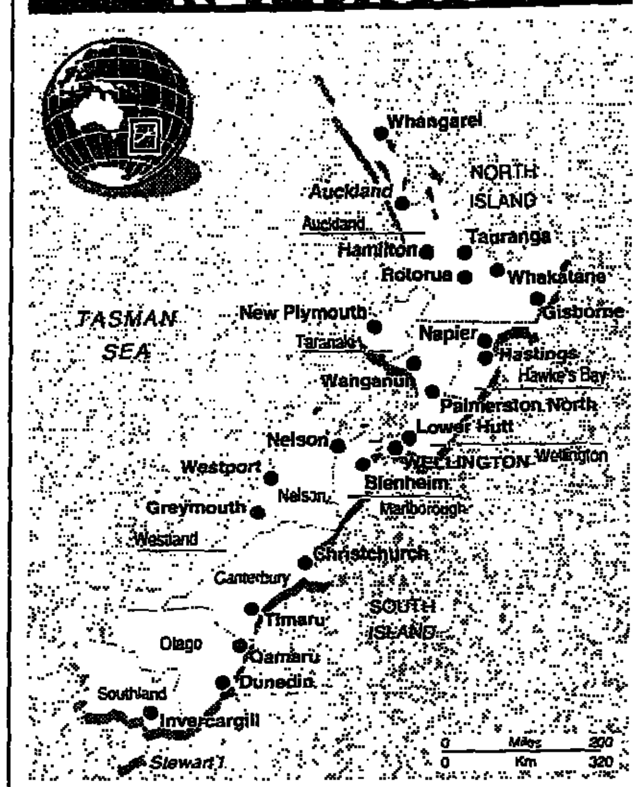
This year, Air New Zealand, which announced a consolidated net profit of NZ$56.1m in its half-yearly results to December 31 1991 and won a magazine "Airline of the Year" award as Best Carrier to the Pacific for the ninth year running, is adding a fourth weekly flight to Auckland with a Boeing 747-400 aircraft which, says Mr Bruce Leonard, the airline's regional general manager Europe, will boost accessibility to many Pacific islands.

Together with Jetset, the company is offering a 10-day fly-drive holiday from £997 to include return flights from Gatwick and 10-day campervan hire. A combination of flights and rental car for 10 days costs from £1,009 with accommodation vouchers available from £18 per person a night.

For two people travelling together, British Airways offers, till the end of October, one return ticket at £960, the other at £360. Several tour companies have cut-price rates: one, Abta-recognised, quotes £599 for a return to Auckland. Courier rates, to deliver mail direct to their destinations, are charged at a third of the full price on BA flights.

Angela Wigglesworth

KEY FACTS



Area	267,844 sq km
Population	3.35 million
Head of State	Queen Elizabeth II
Currency	New Zealand Dollar (NZ$)
Average Exchange Rate	1990 $1 = 1.68
	1991 $1 = 1.67
Exchange Rate	(as at July 20 1992) $1 = 1.85

ECONOMY	1990	1991
Total GDP ($bn)	42.8	41.9
Real GDP growth (%)	1.0	-0.6
Components of GDP (%)		
Private consumption	62.5	n.a.
Total investment	21.5	n.a.
Government consumption	16.7	n.a.
Exports	27.2	n.a.
Imports	-27.9	n.a.
Consumer prices [1]	6.1	2.6
Industrial wage rates [1]	4.3	2.5
Unemployment (%) [2]	8.7	10.5
Reserves minus gold ($bn Dec).	4.3	3.0
Discount rate (% pa, year end).	13.2	8.3
Govt bond yield (% pa, avg)	12.4	9.9
FT-A share price index [3]	-39.2	17.8
Current account balance ($bn)	-1.6	-0.6
Exports ($bn)	9.51	9.25
Imports ($bn)	9.49	8.75
Trade balance ($bn)	0.2	0.5
Main trading partners [4]	Exports	Imports
Australia	18.5	20.5
Japan	16.4	15.0
US	13.0	20.5
EC	17.5	19.2

[1] Percentage change over previous year.
[2] As a percentage of labour force.
[3] Percentage growth per annum, year end.
[4] Percentage share of 1991 values
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit

Glacier skiing in the Mount Cook region of the country's Southern Alps

SPORT

A small nation's sense of self-respect

BY ANY standards, New Zealand is one of the great achievers in world sport. Its roll call of world champions and record holders, now and in the past, is impressive and out of all proportion to what might reasonably be expected from a country of only 3.3m people.

Its medal haul at the last few Olympics has been impressive. On a medal per population basis it exceeded that of any other country, putting this small south Pacific nation in the forefront of international sport.

It has also achieved great success in non-Olympic sports such as the Whitbread Round the World Yacht Race, where in the last event, after 24,000 gruelling miles, New Zealand yachts fought out an exciting climax to finish first and second.

International sports administrators and athletes sometimes ask why such a small country, with a population fewer than many large cities, excels in such a wide variety of sports, both as individuals and in team events.

New Zealanders take their sports seriously. When the national rugby team, the All Blacks, were beaten in the semi-final of last year's Rugby World Cup, millions of words were written and hours of television time were devoted to analysing the defeat in minute detail.

Retribution was also swift. The selectors, coach, assistant coach, captain and several senior players – all deemed to have let their country down – were dropped.

In a few weeks, New Zealanders will vote in a referendum to determine the method of selecting future governments. Fewer than one in 1,000 voters knows the meaning of the referendum alternatives. By contrast, only one in 10,000 does not know that the All Blacks were beaten by Australia by only one point in early July.

This means that every child and adult in the country has access to ample facilities in any sport they choose. People of all ages are actively encouraged through government-backed community service TV advertising to "have a go" and participate in some sporting activity.

Other aspects of the New Zealand lifestyle and environment help to encourage sporting prowess. The country's clean air, congenial climate, good quality housing, easy access to beach, bush and countryside, outdoor living and plenty of healthy food – even for the less well-off – all provide a solid base to encourage and develop sporting ability.

The shoreline is the fifth largest in the world. With its numerous natural harbours, lakes and rivers, this is an ideal environment for water sports. The colourful sight of thousands of yachts on the sprawling Auckland harbour on summer weekends has earned it the title of City of Sails. Children aged 10 to 12, in specially designed small yachts, have their own competition races. These help to develop their skill from an early age.

At the last two Olympics, New Zealand won several medals in yachting, canoeing, kayaking and sailboard riding. It has been a major competitor in the Whitbread Race and in the America's Cup.

One big disadvantage for world class New Zealand sportsmen or teams is distance. To compete in the northern hemisphere or the US where most world championships are staged is costly in time and money.

To send the country's equestrian team to the Barcelona Olympics will cost more than NZ$250,000 (£80,000). Teenage girls, members of the hundreds of pony clubs around New Zealand, have contributed to the team's fund-raising. This is one sport in which the country has high hopes of winning a medal. The team includes Mark Todd, a champion rider hoping to gain his third successive gold medal.

The cost of sending the full Olympic team of 138 athletes will be more than NZ$3m (£1m).

Without financial support, topline individuals or sporting bodies would not be able to compete in international events to the same extent as they do now. Helping to meet some of the costs is the Hillary Commission, a government-appointed body which this year has NZ$24m from lottery profits to fund sporting organisations.

While some of the funds will help to finance the Olympic team, a considerable amount of money is spread widely to encourage all types of sporting and leisure activity. Each year, hundreds of organisations benefit. Some grants are modest to help local sports club acquire or build better facilities. Grants can range from helping to build a new mountain hut for alpine climbers to providing equipment for a rural softball team.

The major objective is to encourage all New Zealanders of all ages to participate in some form of sporting or leisure activity. For continuing sporting success, particularly against larger, wealthier nations, has given New Zealanders confidence and a sense of self-respect.

Dai Hayward

Dairies are the bright spot, while exports have improved

Patchy recovery on the farm

AGRICULTURAL exports, including fish, are playing a major role in returning the New Zealand economy to better health. While a 10 per cent currency devaluation over the past eight months has been significant, exporters' confidence has been buoyed by the growing international acceptance of New Zealand products of all types.

The primary producing sector was hardest hit by the economic reforms between 1984 and 1990. A combination of a high exchange rate and interest rates that sometimes hit 25 per cent forced many farmers to leave the land.

A remarkable return in farming confidence has followed the arrival of minimal inflation, coupled with more competitive exchange and lower interest rates.

But it is a patchy recovery. Sheep farmers, while better off, are still struggling. To be profitable the average farmer needs a return of NZ$40 for lamb but he is getting only $NZ22, according to the Meat and Wool Board's economic service.

Yet viewed across all farming sectors, profitability is rising. The rate of return on total farm capital has historically been in the range of 2 to 4 per cent for sheep and beef farms. But the top group of farms (12 per cent) now show a return of 10 per cent or more on capital and 34 per cent of farms achieve a return of between 5 and 10 per cent.

The major characteristics of the top farms are high stock performance and more livestock units per person. Mr Rob Davison of the Meat and Wool Board's economic service says gross farm incomes could be boosted by a third over the next five years, which would restore profitability to the levels of 15 years ago.

The tough times that New Zealand farmers have faced are reflected in the fall in the numbers of animals farmed. In 1984-85 New Zealand exported 40m lambs, but this year only 26m will be available. In 1982 there were 13m more sheep and cattle on farms, and declining profits have forced many farmers to cut back on maintenance, allowing parts of many properties to start reverting to bush.

Despite this, a better-than-expected 1991-92 wool season ended on June 25 on a more confident note. Morale had been low at the start of the season after the suspension of the Wool Board's minimum price scheme left the board holding a stockpile of 565,000 bales, and prices were low due to the international recession and because of the absence of two major buyers, the Soviet Union and China.

However, China resumed buying again, and some improvement in world demand saw a gradual pick-up for the wool market indicator from 370 cents a kg in late November to peak at 535 cents in early June. Then prices weakened again, in line with falling international demand to 468 cents. However, it was a considerable success to reduce the stockpile by around 156,000 bales: this was seen as a great achievement in a world recession.

New Zealand is the world's largest producer of crossbred wools, used in carpets, and is meeting success in selling to growing markets making hand-knotted carpets in China, India, Turkey and Iran. The industry hopes that a new marketing plan will boost real returns, which are at a 25-year low. Returns from sheepmeat have been good, and profitability is being boosted by a growing trend for added processing of carcases before export. This year for the first time, more lambs will be exported in processed form than in carcases. The live sheep trade to Saudi Arabia has also been buoyant.

Beef prices, which hinge on US demand, have eased due to rising worldwide production and recessionary trends which have seen intense competition from pork and chicken. Exports to Korea and other parts of Asia are developing rapidly.

Dairying is the one really bright spot. Nine months ago there were serious concerns within the industry that another low payout, similar to last year's $3.75 a kg of milkfat from the co-operative dairy board would force farmers to walk off their land. However, an unexpected lift in demand from October saw the pay-out from the board rise steadily to end the season at $NZ5.20, and farmers will receive additional payments from their local dairy companies which could see them earn $6 a kg.

With forecasters expecting another good season, dairy farms are undergoing a resurgence of interest. In some provincial districts, such as Southland and Canterbury, beef and sheep farmers are converting their properties to dairy cattle.

There is some nervousness over further trade reform and protectionism within the EC, as well as worries that EC export subsidies will increase. However there are hopes that the Gatt round can be satisfactorily settled, as an agreement could avoid a further round of negotiations over access to the important British market. New Zealand's current access is restricted to 55,000 tonnes, but under the present proposals it could be lifted to 76,000 tonnes, the average for the three years between 1986 and 1988.

The dairy industry is meeting good demand for cheese and dairy powder in Asia, the Middle East and Latin America. A good wet season has encouraged farmers to boost output, and there is substantial investment in new technology. Fishing has turned into a winner: helped by a worldwide shortage of white fish. This industry now accounts for 5 per cent of the country's exports.

Last year New Zealand's extensive 200-mile economic zone handled 2.5 per cent of the world's tinned fish catch. In the year to December, it earned 30 per cent more – at over NZ$1bn than in 1990, and is said to be on target to do even better in this calendar year. The Fishing Industry Board expects it to earn over $2bn a year by the end of the decade. While most varieties have met strong international demand, there are hopes for a strong resurgence of interest in squid, which could earn as much as $400m a year.

The board says the industry has improved its competitiveness by 16 per cent in the past 18 months and believes the outlook remains promising.

Terry Hall